92-706

No.

Supreme Court, U.S.
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In The Supreme Court of the United States
October Term, 1992

YAMAHA CORPORATION OF AMERICA,

Petitioner

UNITED STATES OF AMERICA,
THE SECRETARY OF THE TREASURY, AND
THE COMMISSIONER OF CUSTOMS

Respondents

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The D.C. Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

Whether Customs Regulation 133.21(c)(2) is invalid as conflicting with International Treaties, namely, the Friendship Treaty with Japan and the Paris Convention, because it discriminatorily denies wholly-owned U.S. subsidiaries of foreign companies the statutory rights of a U.S. trademark owner under the Trademark and Tariff Acts, 15 U.S.C. §1124 and 19 U.S.C. §1526.

PARTIES TO THE PROCEEDING

Yamaha Corporation of America (Yamaha America) is a wholly-owned subsidiary of Yamaha Corporation, a Japanese company (Yamaha Japan). All of Yamaha America's subsidiaries are wholly-owned.

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REFERENCE TO OFFICIAL AND UNOFFICIAL REPORTS

The April 14, 1992 decision of the United States Court of Appeals for the District of Columbia Circuit, which is the subject of this Petition, is reported officially at 961 F.2d 245 and unofficially at 22 U.S.P.Q.2d 1417. The January 11, 1990 and September 14, 1990 judgments of the United States District Court for the District of Columbia are reported officially at 745 F. Supp. 730 and 745 F. Supp. 734, and unofficially at 16 U.S.P.Q.2d 1775.

STATEMENT OF JURISDICTION

The D.C. Circuit Court of Appeals' judgment was entered on April 14, 1992. That Court denied Yamaha America's Petition for Rehearing and a Suggestion for Rehearing *en banc* in separate Orders dated July 16, 1992. Title 28 U.S.C. §1254(1) provides the statutory basis for this Court's jurisdiction to review the D.C. Circuit's judgment.

TREATIES, STATUTES AND REGULATION INVOLVED

This case involves the Treaty of Friendship, Commerce and Navigation, 4 U.S.T. 2063, T.I.A.S. 2863 (1953) (the Friendship Treaty) between the United States and Japan, and the International Convention for the Protection of Industrial Property, 21 U.S.T. 1628, T.I.A.S. 6293 (1967) (Paris Convention). The most relevant portions of these treaties are set forth below. Article X of the Friendship Treaty provides:

> Nationals and companies of either Party shall be accorded, within the territories of the other Party, national treatment and most-favored-nation treatment with respect to obtaining and maintaining patents of invention, and with respect to rights in trade marks, trade names, trade labels and industrial property of every kind.

Article XXII(3) of the Friendship Treaty provides in relevant part:

> Companies constituted under the applicable laws and regulations within the territories of either party shall be deemed companies thereof and shall have their juridical status recognized within the territories of the other Party.

Article 2(1) of the Paris Convention provides:

> Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specifically provided for by this Convention. Consequently, they shall have the same legal protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

Article 2(2) of the Paris Convention states:

> However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of industrial property rights.

This case also involves §526 of the Tariff Act, 19 U.S.C. 1526, §42 of the Trademark Act, 15 U.S.C. §1124, and Customs Regulation 133.21(c)(2), 19 C.F.R. §133.21(c)(2). Section 526 of the Tariff Act, 19 U.S.C. §1526, states in relevant part:

> (a) Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of Title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided

in section 106 of said Title 15, unless written consent of the owner of such trademark is produced at the time of making entry.

Section 42 of the Trademark Act, 15 U.S.C. §1124, provides:

Except as provided in subsection (d) of Section 526 of the Tariff Act of 1930, no article of imported merchandise which shall copy or simulate the name of any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this Act or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country in which it is in fact manufactured, shall be admitted to entry in any customhouse of the United States; and, in order to aid the officers of the customs in enforcing this prohibition, any domestic manufacturer or trader, and any foreign manufacturer or trader, who is entitled under the provisions of a treaty, convention, declaration, or agreement between the United States and any foreign country to the advantages afforded by law to citizens of the United States in respect to trademarks and commercial names, may require his name and residence, and the name of the locality in which his goods are manufactured, and a copy of the certificate of registration of his trademark, issued in accordance with the provisions of this Act, to be recorded in books which shall be kept for this purpose in the Department of the Treasury, under such regulations as the Secretary of the Treasury shall prescribe, and may furnish to the Department facsimiles of his name, the name of the locality in which his goods are manufactured, or of his registered trademark, and thereupon the Secretary of the Treasury shall cause one or more copies of the same to be transmitted to each collector or other proper officer of customs.

Customs Regulation 133.21, 19 C.F.R. §133.21 states in relevant part:

> (a) Copying or simulating marks or names. Articles of foreign or domestic manufacture bearing a mark or name copying or simulating a recorded trademark or trade name shall be denied entry and are subject to forfeiture. A "copying or simulating" mark or name is an actual counterfeit of the recorded mark or name or is one which so resembles it as to be likely to cause the public to associate the copying or simulated mark with the recorded mark or name.
>
> (b) Identical trademark. Foreign-made articles bearing a trademark identical with one owned and recorded by a citizen of the United States or a corporation or association created or organized with the United States are subject to seizure and forfeiture as prohibited importations.
>
> (c) Restrictions not applicable. The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:
>
> . . . .
>
> (2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control.

STATEMENT OF THE CASE

Relevant Facts

Yamaha Corporation of America (Yamaha America) is a United States company organized under the laws of the State of California. Yamaha America is a viable U.S. corporation which has been in business for more than thirty years. Over this time, Yamaha America has paid millions of dollars in federal and state taxes and has employed hundreds of U.S. citizens.

Yamaha America is a wholly-owned subsidiary of Yamaha Corporation, a Japanese company ("Yamaha Japan"). Yamaha America and its wholly-owned subsidiary, Yamaha Electronics Corporation, USA (YEC)[1] import and distribute audio, musical, and electronic equipment bearing the famous "Yamaha" trademarks in the United States. By written contract with Yamaha Japan, Yamaha America is the exclusive authorized United States distributor of "Yamaha" brand products manufactured by Yamaha Japan. Yamaha America owns United States trademark registrations for the following trademarks ("the 'Yamaha' trademarks") which have been recorded with the United States Customs Service (Customs) pursuant to 19 U.S.C. §1526 and 15 U.S.C. §1124:

Mark	Trademark Reg. No.
HANDYSOUND	1,287,066
PORTASOUND	1,205,408
MUSICAL NOTE	1,079,354
PORTATONE	1,307,965
YAMAHA ELECTONE	1,288,275
TUNING FORK DESIGN	997,591
TUNING FORK DESIGN	1,013,806
NATURAL SOUND	1,295,249
TUNING FORK & YAMAHA	1,093,074
YAMAHA	678,446
YAMAHA	893,186

1. YEC is not a party to this suit or this petition.

Mark	Trademark Reg. No.
YAMAHA	691,584
YAMAHA	1,086,321
YAMAHA	1,042,842
YAMAHA	1,170,106
ETERNA	1,219,922

Yamaha Japan is the owner of the foregoing trademarks in Japan.

To facilitate and promote distribution of "Yamaha" products nationwide, Yamaha America has established a network of authorized dealers. Through the years, Yamaha America has invested vast amounts of time, money and effort in establishing and maintaining its dealer network. Yamaha America chooses its authorized dealers with great care to ensure that such dealers will uphold the Yamaha tradition of providing quality products, attractive facilities and excellent service to their customers. Yamaha America warrants all authorized "Yamaha" products, and enjoys immense goodwill amongst the purchasing public and its authorized dealers, many of whom have shared its success for more than 25 years.

When economic and market conditions are favorable, unauthorized importers obtain "Yamaha" brand goods out of foreign distribution, and import and distribute such products in the United States without Yamaha America's consent. The "Yamaha" products imported and sold by the unauthorized importers are diverted from Yamaha Japan's foreign distribution stream without Yamaha America's or Yamaha Japan's knowledge or consent, and are commonly referred to as "gray market" products. Gray market "Yamaha" products, while appearing to be the same, are in most instances physically different from authorized "Yamaha" products. The differences exist because gray market products are manufactured to meet foreign laws, foreign electrical requirements and consumer needs. The gray market "Yamaha" products sold by gray marketers are not intended or designed for sale in the U.S. and are not authorized or warranted by Yamaha America, the U.S. trademark owner.

The sale of gray market "Yamaha" products to non-authorized retailers has a detrimental effect on consumers, and interferes

with the long-established relationship between Yamaha America and its authorized dealer network. Consumers purchasing gray market "Yamaha" products do not realize that the goods they purchased were not intended or designed for sale in the U.S. since outwardly the goods appear the same and bear the famous "Yamaha" marks.[2]

To stop the tide of gray market "Yamaha" brand products into the U.S., Yamaha America applied to Customs on July 29, 1987, for genuine goods exclusion orders for products bearing the "Yamaha" marks under §526 of the Tariff Act, 19 U.S.C. §1526. Customs refused to grant Yamaha America's request for genuine goods exclusion orders. Instead, Customs issued orders which would only prevent a third party's importation of products bearing counterfeit or confusingly similar "Yamaha" marks. Yamaha America notified Customs of its change of name from Yamaha International Corporation to its present name on March 8, 1988. In response, Customs issued Yamaha America a revised exclusion order for the "Yamaha" marks which also prohibited importation of "genuine" goods. Customs subsequently, sua sponte, rescinded its grant of a genuine goods exclusion order to Yamaha America on the ground that it was prohibited by Customs Regulation 133.21(c)(2), 19 C.F.R. §133.21(c)(2). After failing to persuade Customs on reconsideration to reinstate the genuine goods exclusion order, Yamaha America filed the instant action seeking to obtain a genuine goods exclusion order or in the alternative, to have Customs' Regulation declared invalid.

Summary of Proceedings

This case arises from the refusal by Customs to grant a genuine goods exclusion order to Yamaha America which would enlist Customs's aid in preventing the unauthorized importation of products bearing Yamaha America's duly registered and recorded trademarks. Customs's sole justification for denying Yamaha

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2. Yamaha America's authorized dealers do not understand why Yamaha America cannot prevent the sale of unauthorized "Yamaha" products in their territories and thus lose their incentive to promote "Yamaha" products.

America its rights under §526 of the Tariff Act, 19 U.S.C. §1526, and §42 of the Lanham Act, 15 U.S.C. §1124, is its Regulation 133.21(c)(2), 19 C.F.R. §133.21(c)(2) ("the Regulation"). Yamaha America brought this action against the United States of America, the Secretary of the Treasury, and the Commissioner of Customs to prove its entitlement to such an exclusion order under these statutes.

Yamaha America's Complaint, filed May 17, 1989, consisted of two Counts. Count I sought a declaration that Yamaha America was entitled to a genuine goods exclusion order and requested that Customs be required to issue such an order. Count II sought a declaration that Customs' Regulation is invalid. As grounds under its two Counts, Yamaha America asserted that Customs's refusal to issue a genuine goods exclusion order in reliance on the Regulation conflicted with the Trademark and Tariff Acts, exceeded the Secretary's authority, was a violation of due process and equal protection, an improper "taking" under the Fifth Amendment, and conflicted with both the Friendship Treaty between the U.S. and Japan and the Paris Convention. The District Court's jurisdiction was premised under 15 U.S.C. §1121 and 28 U.S.C. §§1331 and 1338.

Respondents filed a Motion to dismiss Yamaha America's Complaint for failure to state a claim. The District Court granted a major portion of Respondents' Motion to Dismiss on January 11, 1990, finding that Yamaha America was collaterally estopped from obtaining the relief it sought by virtue of the district court's decision in *Yamaha Corporation of America, et al. v. ABC International Traders, Inc., et al.*, Civ. Act. No. CV 86-7892 (RSWL) (C.D. Cal.) ("the *ABC* case"). The District Court below left open only the issues of: (1) whether there were "material" differences between gray market and authorized "Yamaha" products, citing the appellate court's decision in *Lever Brothers Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989), and (2) whether Yamaha America was estopped from litigating the product differences issue by virtue of the *ABC* case. The District Court also dismissed Yamaha America's claims based on the Paris Convention and Friendship Treaty for lack of standing because Yamaha America

is a domestic company and not entitled to invoke the benefits of these Treaties.

Respondents later renewed their Motion to Dismiss and, in the alternative, moved for summary judgment. Respondents maintained that Yamaha America was estopped by the *ABC* case from relying on differences between gray market and authorized "Yamaha" brand products to argue either its entitlement to a genuine goods exclusion order or the invalidity of the Regulation. The District Court granted Respondents' Renewed Motion in an Order dated September 14, 1990. Yamaha America appealed the District Court's January 11, 1990 and September 14, 1990 judgments to the United States Court of Appeals for the District of Columbia Circuit.

The D.C. Circuit, in an Order dated April 14, 1992, affirmed the District Court's dismissal of all of Yamaha America's claims. Yamaha America timely filed a Petition for Rehearing with a Suggestion for Rehearing *en banc* with the D.C. Circuit. After requiring Respondents to answer Yamaha America's Petition, the D.C. Circuit denied the Petition and Suggestion in separate orders dated July 16, 1992. This Petition for a Writ of Certiorari followed.

REASONS FOR ALLOWANCE OF THE WRIT

The grant of this Petition will serve to correct the D.C. Circuit's failure to follow this Court's precedent and, more importantly, enable this Court to finally determine the uncertain rights under the Trademark and Tariff Acts of a significant class of persons, namely, wholly-owned subsidiaries of foreign companies. Until now, the Circuits have ruled inconsistently on this issue. The conflict between the Circuits has resulted in totally inconsistent determinations of trademark rights and destroys the value of a U.S. trademark.

Specifically, the D.C. Circuit's decision fails to follow this Court's decision in *Sumitomo Shoji America Inc. v. Avagliano*, 457 U.S. 176 (1981), because, in denying Yamaha America the protections of 15 U.S.C. §1124 and 19 U.S.C. §1526, it treated

Yamaha America differently than other domestic companies and failed to recognize Yamaha America's juridical status as a domestic company contrary to this Court's interpretation of the Friendship Treaty.[3] The D.C. Circuit's decision also conflicts with this Court's decision in *Morrill v. Jones*, 106 U.S. 466 (1883), because it approves Customs' engrafting a requirement on the Tariff and Trademark Acts that there be no common ownership or control with a foreign company to obtain the benefits of these statutes. Congress did not prescribe this exception in its passage of the Trademark Act, 15 U.S.C. §1124 or the Tariff Act, 19 U.S.C. §1526. The court's decision also fails to follow or distinguish this Court's decision in *A. Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689 (1923), in that it fails to recognize the territorial nature of trademark protection, as explained by Justice Holmes.[4]

The D.C. Circuit's application of *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988), to the instant case also conflicts with the Friendship Treaty because it discriminates against wholly-owned domestic companies such as Yamaha America by refusing to acknowledge their status as U.S. companies. Lastly, the issues presented herein involve critical questions concerning the interrelationship of federal trademark law and U.S. treaty obligations which should be decided by this Court in order to resolve the serious existing conflicts among several circuits.

I. THE D.C. CIRCUIT'S DECISION FAILS TO FOLLOW THIS COURT'S *SUMITOMO* DECISION CONSTRUING THE FRIENDSHIP TREATY

Yamaha America's treaty argument is simple and straightforward. In *Sumitomo*, this Court construed the Friendship Treaty and similar treaties to hold that:

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3. Justice Scalia raised the issue of the Regulation's conflict with international treaties in his dissenting opinion in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988).

4. This learned decision, which is in harmony with established trademark law, has been either ignored or misconstrued by the courts in deciding gray marketing cases. *See, Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990) (concept of territoriality is basic to trademark law).

> The Treaties accomplished their purpose by granting foreign corporations "national treatment"[5] in most respects and *by allowing foreign individuals and companies to form locally incorporated subsidiaries. These local subsidiaries are considered for the purposes of the Treaty to be companies of the country in which they are incorporated; they are entitled to the rights, and subject to the responsibilities of other domestic corporations.* By treating these subsidiaries as domestic companies, the purpose of the Treaty provisions—to assure that corporations of one Treaty Party have the right to conduct business within the territory of the other Party without suffering discrimination as an alien entity—is fully met. 457 U.S. at 188. (Emphasis added.)

Yamaha America is a California corporation which is a wholly-owned subsidiary of Yamaha Japan. Under *Sumitomo* and Articles X and XXII(3) of the Friendship Treaty, Yamaha America, as a U.S. corporation, is entitled to the same trademark rights as all other U.S. corporations, and have its juridical status as a U.S. company recognized. By denying Yamaha America's challenge to the Regulation, which precludes foreign-owned domestic companies like Yamaha America from excluding gray market goods, Customs and the D.C. Circuit are plainly denying Yamaha America trademark rights which domestic companies not owned or controlled by foreign companies are free to enjoy. This is directly contrary to this Court's *Sumitomo* decision and the Friendship Treaty.

The D.C. Circuit's contrary holding completely missed the crux of Yamaha America's argument under the Friendship Treaty. The D.C. Circuit erroneously stated that the "crucial question" involved in Yamaha America's treaty argument was whether Customs treats Yamaha America differently from other domestic companies *under the Regulation*. The court went on to find that the Regulation applies equally to wholly-owned domestic subsidiaries of American corporations which produce goods abroad

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5. National treatment is defined by the Court in *Sumitomo* as "equal treatment with domestic corporations." 457 U.S. at 188.

for sale and import into the U.S. Therefore, the court reasoned, Yamaha America is not being deprived of rights which other domestic corporations enjoy because it is being treated like every other domestic company that shares common ownership or control with the owner of the foreign trademark. This reasoning is tragically flawed because it ignores the controlling statutory language. The Regulation does not apply to all domestic corporations equally, but discriminates against those that have foreign ownership or control.

The crucial question is not whether Yamaha is treated the same as other domestic companies under common ownership or control of a foreign trademark owner under the Regulation, but whether it is treated as all other domestic companies not having such relationship *under the statutes*, 19 U.S.C. §1526 and 15 U.S.C. §1124. The relevant inquiry, therefore, is not, as the D.C. Circuit erroneously found, whether the Regulation is uniformly applied to all who may come under its exclusionary terms. Rather, as long as Yamaha America is treated differently from some domestic companies, i.e., those not having foreign ownership or control, it is being discriminated against under the statutes. Such discriminatory treatment is contrary to this Court's decision in *Sumitomo* and the Friendship Treaty which require national treatment of U.S. subsidiaries.

The D.C. Circuit also completely ignored the second prong of Yamaha America's Friendship Treaty argument. By refusing to grant Yamaha a genuine goods exclusion order, the court failed to recognize Yamaha America as the owner of the trademarks, effectively treating Yamaha Japan as their owner. Customs and the D.C. Circuit ignored the corporate existence of Yamaha America and its domestic juridical status mandated by the Treaty. By denying Yamaha America rights under the Trademark and Tariff Acts which other domestic companies are free to enjoy, the D.C. Circuit effectively treated Yamaha America as something other than a true domestic company. This is directly contrary to *Sumitomo* and the express language of Article XXII(3) of the Friendship Treaty under which, by definition, and actually, Yamaha America is a domestic company whose domestic status must be recognized.

II. THE D.C. CIRCUIT'S DECISION CONFLICTS WITH THIS COURT'S DECISION IN *MORRILL v. JONES*

To the extent that the D.C. Circuit's decision relies on the Regulation to strip Yamaha of rights unconditionally granted under 15 U.S.C. §1124 and 19 U.S.C. §1526, it conflicts with this Court's decision in *Morrill v. Jones*, 106 U.S. 466 (1883). *Morrill* held that a regulation cannot insert into a statute a limitation which Congress did not prescribe. Here, the D.C. Circuit's application of the Regulation to 15 U.S.C. §1124 and 19 U.S.C. §1526 effectively adds a preclusive limitation to these statutes which Congress did not include, namely, that foreign-owned or controlled U.S. trademark owners cannot avail themselves of the protections of such statutes.[6] This is clearly contrary to *Morrill*.

A. §42 of the Lanham Act, 15 U.S.C. §1124

The D.C. Circuit's decision also creates a separate body of trademark law for foreign-owned or controlled U.S. trademark owners where 15 U.S.C. §1124 makes no such distinction. The Third Circuit, in *Weil Ceramics and Glass, Inc. v. Dash*, 878 F.2d 659 (3d Cir. 1989), reluctantly made this same erroneous distinction. *Weil* distinguished an earlier Third Circuit decision, *Premier Dental Products v. Darby Dental Supply Co.*, 794 F.2d 850 (3d Cir.

6. What makes this so absurd is the lack of any background on the origin of the Regulation. The Regulation was promulgated primarily as Customs' interpretation of the antitrust laws. The antitrust basis for the Regulation has been roundly criticized. *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903, 915-16 (D.C. Cir. 1986), *rev'd on other grounds*, 486 U.S. 281 (1988); *Olympus Corp. v. United States*, 792 F.2d 315, 319-20 (2d Cir. 1986) (§133.21(c) is unsound both as antitrust policy and as trademark law; reassessment of regulations would be appropriate insofar as they are based on antitrust concerns); *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163, 1178 (S.D.N.Y. 1984) (regulation's presumption of antitrust violation from sole fact of common control of foreign and domestic trademark owners is unsound as antitrust and trademark policy); *Bell & Howell:Mamiya Co. v. Masel Supply Co.*, 548 F. Supp. 1063 (S.D.N.Y. 1982), *vacated and remanded on other grounds*, 719 F.2d 42 (2d Cir. 1983). The government itself has recognized this in an *amicus* brief it filed on behalf of the plaintiff in *Bell & Howell* before the Second Circuit.

1986), which enjoined gray marketing, stating that the lack of independence of the trademark owner from the foreign manufacturer precludes the foreign-owned U.S. company from availing itself of §§32 and 42 of the Trademark Act, and §526 of the Tariff Act. *Weil*, 878 F.2d at 666, n. 7. The *Weil* court itself even recognized that it was apparently creating two sets of trademark laws, one for foreign-owned, and one for U.S.-owned, domestic companies. 878 F.2d at 673, n. 19. Such disparate treatment is in direct contravention of *Morrill* and the Friendship Treaty as interpreted by this Court in *Sumitomo*.

The D.C. Circuit's decision also disregards the express congressional intent behind the Trademark Act stated in §45 thereof, 15 U.S.C. §1127. Section 45 states in relevant part:

> The intent of this Act is to...provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

Failure to accord Yamaha America rights under 15 U.S.C. §1124 conflicts with the Friendship Treaty, and contravenes the express intent behind enactment of the Trademark Act. This Court should grant *certiorari* to stop this discriminatory application of the trademark laws not only to Yamaha, but to many other U.S. companies similarly situated.

B. §526 of the Tariff Act, 19 U.S.C. §1526

The Regulation also engrafts an exception onto 19 U.S.C. §1526, not present in the statute, to deny protection where the mark was applied by a foreign manufacturer who is related to the domestic trademark owner. The D.C. Circuit, through its reliance on the Customs Regulation to deny Yamaha America protection under the Tariff Act, gives the Regulation greater precedence than the statute. This, too, is directly contrary to *Morrill* for the reasons given above with respect to 15 U.S.C. §1124.

C. Even If 15 U.S.C. §1124 and 19 U.S.C. §1526 Expressly Included Limitations, They Would Be in Violation of The Friendship Treaty and the Paris Convention

Assume that 19 U.S.C. §1526 and 15 U.S.C. §1124 explicitly precluded foreign-owned or controlled domestic companies from protection. Such an exception preventing these companies from availing themselves of the trademark remedies afforded by 19 U.S.C. §1526 and 15 U.S.C. §1124 would be directly contrary to Article X of the Friendship Treaty and Article 2(1) of the Paris Convention as both treaties require national treatment of member countries' citizens. The Regulation excepts domestic companies with foreign ownership or control from the statutes' coverage. Customs cannot engraft such an exception onto the statutes by regulation which would obviously be contrary to U.S. treaty obligations if explicitly stated. The Regulation is, therefore, invalid as it conflicts with the Friendship Treaty and Paris Convention.

III. THE D.C. CIRCUIT'S DECISION CONFLICTS WITH THIS COURT'S DECISION IN *A. BOURJOIS v. KATZEL*

The D.C. Circuit's decision also conflicts with this Court's decision in *A. Bourjois & Co., Inc. v. Katzel*, 260 U.S. 689 (1923), in that it fails to recognize the territorial nature of trademark protection. *See also, Person's Co., Ltd. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990)(concept of territoriality is basic to trademark law); Article 6 of the Paris Convention. Merely because the "Yamaha" trademarks were legally applied by Yamaha Japan and used in the markets where gray marketers purchase "Yamaha" products, does not entitle gray marketers to import and distribute such products in the U.S. in violation of Yamaha America's trademark rights. This Court should review the conflicts created by the D.C. Circuit's decision and conclusively resolve the gray market issue because it devastates these rights.

IV. CUSTOMS' INTERPRETATION OF 19 U.S.C. §1526 CONFLICTS WITH THE FRIENDSHIP TREATY AND THE PARIS CONVENTION

Customs' Regulation essentially provides that where the domestic trademark holder is owned or controlled by the foreign manufacturer, the trademark is in fact owned by the foreign company. This ignores the domestic status of companies such as Yamaha America by overlooking its corporate distinctiveness from its parent.[7] This is also in direct conflict with the Friendship Treaty which requires that a locally-formed subsidiary of a Japanese company shall have its status as a domestic company recognized.

Title 19 U.S.C. §1526 limits its protection to trademarks owned by "a citizen of, or by a corporation or association created or organized within, the United States, and registered by a person domiciled in the United States." Protection is limited to domestic companies and requires that the domestic company be domiciled here. On its face, such requirements are contrary to the national treatment of members' citizens mandated in provisions of Article X of the Friendship Treaty and Article 2(1) of the Paris Convention. The domicile requirement is also contrary to Article 2(2) of the Paris Convention which expressly prohibits such requirements.

To resolve such conflicts and preserve the validity of such statutes, citizens of countries which are members of the Paris Convention must be treated as domestic companies under the statutes and must have their domestic status recognized. Furthermore, citizens of member countries of the Paris Convention and treaties requiring national treatment are exempt from the domiciliary requirement of 19 U.S.C. §1526.[8] Thus, Yamaha America should be permitted to avail itself of 15 U.S.C. §1124 and 19 U.S.C. §1526 to exclude gray market products.

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7. This is done without the benefit of any evidence which would support "piercing the corporate veil."

8. Yamaha America is entitled to protection under the Trademark and Tariff Acts either as a legitimate domestic company, or as a Japanese company by operation of the treaties. The Court's ruling below deems Yamaha America

V. A CONFLICT EXISTS BETWEEN THE CIRCUITS REGARDING PROTECTION AVAILABLE AGAINST GRAY MARKETING UNDER THE TRADEMARK AND TARIFF ACTS

Conflicts exist among the Ninth, Second, Third and D.C. Circuits with regard to protection against gray marketing under the Trademark and Tariff Acts. The Ninth Circuit's decision in *NEC Electronics v. CAL Circuit ABCO*, 810 F.2d 1506 (9th Cir.), *cert. denied*, 484 U.S. 851 (1987), and the Third Circuit's decision in *Weil Ceramics and Glass, Inc. v. Dash*, 878 F.2d 659 (3d Cir. 1989), conflict with the Second Circuit's decision in *Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.*, 816 F.2d 68 (2d Cir.), *cert. denied*, 484 U.S. 847 (1987). In *Original Appalachian*, the Second Circuit found that gray marketing was trademark infringement under §32 of the Trademark Act regardless of the relationship between the trademark owner and foreign manufacturer. This is in sharp contrast to the Ninth Circuit's decision in *NEC* and the Third Circuit's decision in *Weil*, which hold that gray marketing does not constitute trademark infringement.[9]

The D.C. Circuit, in collaterally estopping Yamaha America from pursuing its claims here, made a point of observing that its decision in *Lever Bros Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989), conflicted with the Ninth Circuit's position with regard to protection under 15 U.S.C. § 1124. 961 F.2d at 258.[10] Had Yamaha America first pursued its claims in the District of Columbia, it would likely have obtained a different result. These

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to be a domestic corporation to deny protection under the treaties, and a foreign corporation to deny protection under the statutes.

9. Several other district courts have addressed the issue with varying results. *Osawa & Co. v. B & H Photo*, 589 F. Supp. 1163 (S.D.N.Y. 1984)(gray marketing is trademark infringement under §32); *Bell & Howell:Mamiya Co. v. Masel Supply Co.*, 548 F. Supp. 1063 (E.D.N.Y. 1982)(gray marketing is trademark infringement), *vacated and remanded on other grounds*, 719 F.2d 42 (2d Cir. 1983); *Dial Corp v. Encina Corp.*, 643 F. Supp. 951 (S.D. Fla. 1986)(gray marketing is trademark infringement).

10. Therefore, the D.C. Circuit's position must also conflict with the Third Circuit's decision in *Weil* which held, as did *NEC*, that a commonly controlled subsidiary had no cause of action under 15 U.S.C. §1124 against gray marketing. Curiously, in *Model Rectifier Corp. v. Takachiho Int'l., Inc.*,

conflicting decisions on protection against gray marketing make such protection dependent on the choice of forum rather than the law. The conflicts among the Circuits, thus, prohibit the equitable administration of justice and jeopardize the integrity of U.S. trademark law.

VI. THE TREATY ISSUE INVOLVED IS AN IMPORTANT QUESTION OF INTERNATIONAL AND FEDERAL LAW AND SHOULD BE RESOLVED BY THIS COURT

The issue involved in this case melds the Trademark Act, the Tariff Act and U.S. international Treaty obligations. The application of international treaties to these two federal statutes presents an urgent question of federal law. The discrimination against foreign-owned corporations in violation of U.S. treaty obligations is an important issue which must be resolved by this Court. Moreover, the inconsistent rulings by the lower courts demonstrate the need for a resolution of the issues.

The applications of the Friendship Treaty and the Paris Convention to the Trademark and Tariff Acts were not addressed by this Court in the splintered decision in *K Mart*. *K Mart* did not reach the issue of U.S. treaty obligations with respect to Tariff Act rights, and explicitly did not reach any issues under the Trademark Act. *K Mart*, in deciding a very narrow issue, determined only that Customs may, for its enforcement purposes, decline to exclude gray market products under the Regulation because the trademark thereon may be reasonably interpreted to be "owned by" the parent foreign manufacturer.[11] This case

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109 F.2d 1517 (9th Cir. 1983), *aff'g*, 220 U.S.P.Q. 508 (C.D. Cal 1982), decided before *NEC*, the Ninth Circuit affirmed the district court's finding that gray marketing constituted trademark infringement. No mention of *Model Rectifier* was made by the *NEC* court.

11. The Court did not address the scope of a U.S. trademark owner's rights under §526, nor did it consider any constitutional challenge to the Regulation. *See*, *Yamaha Corporation of America* v. *United States*, 961 F.2d at 256, n. 12; *Weil Ceramics and Glass, Inc.* v. *Dash*, 878 F.2d 659 (3d Cir. 1989) (Becker, J. concurring); *Duracell, Inc.* v. *Global Imnports, Inc.*, 12 U.S.P.Q.2d 1651 (S.D.N.Y. 1989); L. Horwitz & E. Horwitz, *Intellectual Property Counseling and Litigation*, ch. 95.03[3][c].

to be "owned by" the parent foreign manufacturer.[11] This case provides the Court with the opportunity to review the serious issues concerning the scope of a U.S. trademark owner's rights not addressed in *K Mart*,[12] and to conclusively straighten out the gray marketing morass that has precipitated a host of litigation with divergent and inconsistent decisions.

CONCLUSION

For the foregoing reasons, Yamaha America respectfully requests that this Court grant *certiorari* and review the D.C. Circuit's April 14, 1992 decision.

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12. In *K Mart*, this Court did not have the necessary background to address the far-reaching effects of the Regulation, particularly when this Court had no appreciable record before it, no trademark registration was in evidence, and the case arose on a summary judgment.

APPENDIX

Notice: This opinion is subject to formal revision before publication in the Federal Reporter or U.S.App.D.C. Reports. Users are requested to notify the Clerk of any formal errors in order that corrections may be made before the bound volumes go to press.

United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

Argued February 28, 1992 Decided April 14, 1992

No. 90-5318

YAMAHA CORPORATION OF AMERICA, APPELLANT

v.

UNITED STATES OF AMERICA, *et al.*

Appeal from the United States District Court
for the District of Columbia

(Civil Action No. 89-01431)

Robert E. Wagner, with whom *Linda A. Kuczma* and *James J. Jagoda* were on the brief, for appellant. *William T. Bullinger* also entered an appearance for appellant.

Daniel J. Standish, Assistant United States Attorney, with whom *Jay B. Stephens,* United States Attorney, *John D. Bates* and *R. Craig Lawrence,* Assistant United States Attorneys, were on the brief for appellees.

Before WALD, SENTELLE, and HENDERSON, *Circuit Judges.*

Bills of costs must be filed within 14 days after entry of judgment. The court looks with disfavor upon motions to file bills of costs out of time.

Opinion for the Court filed by *Circuit Judge* WALD.

WALD, *Circuit Judge*: Appellant Yamaha Corporation of America ("Yamaha-America") appeals from two orders of the district court dismissing its complaint against appellees the United States of America, the Secretary of the Treasury ("Secretary"), and the Commissioner of Customs. Appellant challenged the legality of certain regulations of the United States Customs Service ("Customs") that permit Customs to deny a "genuine goods" exclusion order to the holder of a U.S. trademark that is also a wholly owned subsidiary of the foreign-trademark holder. The district court concluded that appellant was precluded from relitigating the issue that the regulations are invalid under the Tariff Act of 1930, 19 U.S.C. §§ 1202-1677k (1988) ("Tariff Act"), and under the Trademark Act of 1946, 15 U.S.C. §§ 1051-1127 (1988) ("Lanham Act"), because these identical issues had already been litigated and resolved by the district court of the Central District of California in a different case. The district court below also dismissed appellant's claims that its rights under certain treaties guaranteeing non-discriminatory "national treatment" to foreign corporations had been violated.

Because we conclude that the district court properly determined that the doctrine of issue preclusion prevents appellant from relitigating its claims under the Tariff and Lanham Acts and that appellant has no cause of action under the treaties, we affirm.

I. BACKGROUND

Yamaha-America is a California corporation. It is a wholly owned subsidiary of Yamaha Corporation, a Japanese company ("Yamaha-Japan"). Since 1960, Yamaha-America has been the exclusive authorized U.S. distributor of "Yamaha" brand music and sound equipment products manufactured by Yamaha-Japan. Yamaha-America is the registered owner by assignment from Yamaha-Japan of 18 separate U.S. trademarks.

Yamaha-America claims to have been unlawfully injured by so-called "gray-market," or parallel, imports. Gray-market goods are foreign-manufactured products bearing a valid U.S. trademark that are imported without the consent of the American trademark holder.[1] Gray-market goods are distinguished from counterfeit goods in that the use of the United States trademark is authorized by the holder of the foreign trademark.

A. *The* ABC *Litigation*

In December 1986, Yamaha-America filed an action in the Central District of California seeking damages and injunctive relief against ABC International Traders Corporation ("ABC"), for trademark infringement and unfair competition under the Lanham Act and the laws of California. ABC is a corporation engaged in the importation, distribution, sale, and warranty of various goods including genuine Yamaha brand electronic sound equipment.[2] In November 1987, Yamaha amended its complaint to include claims under section 526 of the Tariff Act, 19 U.S.C. § 1526 (1988) ("section 526"), and section 42 of the Lanham Act, 15 U.S.C. § 1124 (1988) ("section 42"). In its five-count amended complaint, Yamaha-America alleged the following:

Count I ABC has violated section 32(a) of the

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[1]Gray-market imports typically increase during periods when the dollar is strong relative to other currencies. The goods are generally bought overseas by discounters, who then import and market the products in the United States at reduced prices relative to the authorized domestic retailer. *See* Comment, *Applying Grecian Formula to International Trade:* K Mart Corp. v. Cartier, Inc. *and the Legality of Gray Market Imports,* 74 VA. L. REV. 1397, 1398 (1989).

[2]"Genuine" goods are goods that are in fact manufactured by the same manufacturer that supplies the U.S. trademark holder. In other words, they are to be distinguished from goods that "copy or simulate" the genuine article; they *are* the genuine article, although they may not have been intended for distribution in the U.S. market. *See Lever Bros. Co. v. United States,* 877 F.2d 101, 105 (D.C. Cir. 1989).

Lanham Act, 15 U.S.C. § 1114(a) (1988), by advertising and selling products made by Yamaha-Japan and bearing marks identical to marks owned by Yamaha-America in such a way that their use is likely to cause customer confusion or mistake and deceive the public.

Count II ABC has violated section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1988), by falsely representing or creating the impression that Yamaha-America is associated or affiliated with ABC and that it warrants the quality or guarantees repair of such products.

Count III ABC has violated California law by intentionally promoting its products so as to confuse and deceive and unlawfully to exploit and appropriate the valuable property rights and good will of Yamaha-America.

Count IV ABC has violated California law by using Yamaha-America's marks without authorization in such a way that it is likely to injure Yamaha-America's reputation and to dilute the distinctiveness of Yamaha-America's trademarks.

Count V ABC has violated section 526 of the Tariff Act and section 42 of the Lanham Act by unlawfully importing and dealing in goods bearing the trademarks owned by Yamaha-America without its consent.

ABC counterclaimed against both Yamaha-America and Yamaha-Japan, alleging violations of the Clayton Act, 15 U.S.C. § 3 (1988), the Wilson Tariff Act, 15 U.S.C. § 8 (1988), and the Sherman Act, 15 U.S.C. §§ 1-2 (1988). ABC also alleged violations of California law, including interference with business relations, defamation, and unfair competition.

1. *The District Court's Decision*

On November 9, 1987, Judge Lew of the Central District of California granted ABC's motion for partial summary judgment as to Counts I and II. He made the following conclusions of law:

> 4. There is and can be no likelihood of confusion, or confusion as to source, origin or sponsorship, between [Yamaha-Japan]-manufactured goods sold by [Yamaha-America] and [Yamaha-Japan]-manufactured goods sold by ABC, which bear trademarks identical to the assigned trademarks.
>
> 5. As a matter of law there is and can be no violation of Lanham Act Sections 32 or 43(a) by ABC . . . by virtue of the acts of ABC in importing and selling "YAMAHA" brand goods manufactured by [Yamaha-Japan].

Statement of Uncontroverted Facts and Conclusions of Law (dated Oct. 19, 1987) (citations omitted) (incorporated by reference in Judge Lew's oral ruling granting summary judgment as to Counts I and II (Nov. 9, 1987) [(Nov. 9, 1987)).]

On December 23, 1988, Judge Lew granted ABC's motion for summary judgment as to the remaining counts of Yamaha-America's Amended Complaint. *See Yamaha Corp. of Am. v. ABC Int'l Traders Corp.,* 703 F. Supp. 1398 (C.D. Cal. 1988), *aff'd in part, rev'd in part on other grounds,* 1991 U.S. App. LEXIS 17882 (9th Cir. July 30, 1991), *cert. denied,* 112 S. Ct. 1177 (1992). As to Count III, Judge Lew concluded that Yamaha-America failed to sustain its burden of documenting a genuine issue of fact concerning customer confusion under California's unfair competition law. *Id.* at 1402. As to Count IV, Judge Lew concluded that no legally recognizable injury to reputation or dilution of the trademark "can possibly come to Yamaha-America if ABC limits its activities to the sale of genuine Yamaha products." *Id.*[3]

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[3]Judge Lew found that Yamaha failed to meet its burden of establishing a genuine issue of fact as to consumer confusion over

a. *Count V—Tariff Act*

It is Judge Lew's treatment of Count V that is most relevant to the question of issue preclusion in this case. Yamaha-America alleged in Count V that ABC's importation of genuine Yamaha products violated its rights under the Tariff Act and the Lanham Act. The relevant portion of section 526 of the Tariff Act provides that

> it shall be unlawful to import in the United States any merchandise of foreign manufacture if such merchandise ... bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States ... unless written consent of the owner of such trademark is produced at the time of making entry.

19 U.S.C. § 1526(a) (1988). Judge Lew recognized that the protection provided by section 526 "has been consistently interpreted by U.S. Customs for more than fifty years not to be available to American subsidiaries of foreign corporations." *ABC,* 703 F. Supp. at 1403.[4] After quoting

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the source and sponsorship of the goods or as to injury to Yamaha-America's reputation. With every genuine product it sells, ABC provides both its own warranty and a statement that the goods were imported by ABC and not by Yamaha-America. *ABC,* 703 F. Supp. at 1402 ("While the goods are made by Yamaha-Japan, the services provided with those goods are ABC's and thus any fallout from the lack of quality of those services reflects poorly upon ABC and not Yamaha.").

[4]This is not technically true. In 1936, Customs adopted a regulation exempting merchandise manufactured in a foreign country under a foreign trademark from section 526 coverage "if such foreign trade-mark or trade name and such United States trademark or trade name *are owned by the same person, partnership, association, or corporation.*" T.D. 48,537, 70 Treas. Dec. 336, 337 (1936) (emphasis added). In 1953, the regulations expanded that "same company" exception to include situations where the domestic trademark holder and the foreign trademark holder exercised legitimate control over one another with respect to the nature and quality of the goods in question. *See* T.D. 53,399, 88 Treas. Dec. 376, 384 (1953). Finally, in 1972, Customs reissued the regulations in their current form, expanding the "same company" excep-

directly from 19 C.F.R. § 133.21(c)(2) (the "Regulation"), Judge Lew added that the Supreme Court had recently upheld the Regulation in *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988), as a permissible interpretation of section 526. *ABC*, 703 F. Supp. at 1403.

Yamaha-America had argued to the *ABC* court that it had rights under section 526 to seek damages and an injunction against a private gray-market importer even if Customs would not have issued a genuine-goods exclusion order under the Regulation. In other words, Yamaha-America had argued that the Regulation does not define the full scope of the protection provided by section 526; even if the Regulation is valid, ABC's actions violated Yamaha-America's rights under section 526. *See* Transcript of Oral Argument (D.C. Cir. filed Mar. 11, 1992) ("Transcript") at 31 (discussing argument made to *ABC* court and on appeal to Ninth Circuit). Judge Lew rejected Yamaha-America's argument, however, declining "to interpret § 526 any differently than does the Customs Service." *ABC*, 703 F. Supp. at 1403. He added that

> even if this Court were to review the statute *de novo*, it would conclude that Yamaha is not entitled to relief under § 526. To allow Yamaha-America and firms like it such protection would allow any foreign manufacturer to use a wholly owned American subsidiary as a means to secure the help of American tariff law in enforcing worldwide price discrimination. This can not be seen to have been the intent of Congress in passing § 526.

Id. Judge Lew's grant of summary judgment to ABC on Yamaha-America's Tariff Act claim was clearly based on two reasons: First, the Regulation—which the Supreme

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tion to encompass situations where the foreign and domestic trademark holders are "parent and subsidiary companies or are otherwise subject to common ownership or control." 19 C.F.R. § 133.21(c)(2) (1991). *See generally Vivitar Corp. v. United States*, 761 F.2d 1552, 1566-67 (Fed. Cir. 1985) (recounting history of Customs's regulation), *cert. denied*, 474 U.S. 1055 (1986).

Court recognized to be a reasonable interpretation of section 526—withholds the protections of section 526 from a U.S. trademark holder that is a subsidiary of the foreign trademark holder; and second, section 526 itself excludes from its general protected class those U.S. trademark holders that are wholly owned American subsidiaries of the foreign trademark holders.

b. *Count V—Lanham Act*

Yamaha-America also claimed in Count V that its rights under section 42 of the Lanham Act were being violated by ABC's gray-market importation. The relevant portion of section 42 provides that

> no article of imported merchandise . . . which shall copy or simulate a trademark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States . . . shall be admitted to entry at any customhouse of the United States . . . .

15 U.S.C. § 1124 (1988). According to Judge Lew, however, Yamaha-America had already admitted that the goods imported by ABC were genuine Yamaha items. Relying on *NEC Electronics v. CAL Circuit Abco,* 810 F.2d 1506 (9th Cir.), *cert. denied,* 484 U.S. 851 (1987), and *Olympus Corp. v. United States,* 792 F.2d 315 (2d Cir. 1986), *cert. denied,* 486 U.S. 1042 (1988), Judge Lew concluded that "the importation of genuine goods is not actionable under the Lanham Act." *ABC,* 703 F. Supp. at 1404. Judge Lew interpreted *NEC Electronics* as holding that "no cause of action arose under the Lanham Act when an American importer imported *genuine* trademarked items that had been sold overseas by the parent of the American trademark holder." *Id.* (emphasis in original). Judge Lew found this interpretation of the Lanham Act to be a reasonable one because the decision to sell goods at a lower price abroad (thereby creating conditions for a gray market) is made by the same people who control the American subsidiary; allowing that sub-

sidiary to claim a trademark violation would effectively provide the foreign company with a means of insulating the American economy from the effects of international competition. Accordingly, he granted summary judgment against Yamaha-America on its Lanham-Act claim.

Yamaha-America moved under Rule 54(b) of the Federal Rules of Civil Procedure for the entry of final judgment as to all claims for the purposes of expediting appeal. Judge Lew denied the motion, and Yamaha-America moved for reconsideration. In its memorandum in support of its motion for reconsideration, Yamaha-America argued that the goods imported by ABC were physically different from those imported by Yamaha-America and therefore did not legitimately fall under the genuine-goods exception to Lanham Act protection. In a one-page order, Judge Lew wrote:

> [H]aving read and considered the papers filed in support of and in opposition to the motion, the Court hereby removes the motion from the Court's law and motion calendar.... and issues the following order:
>
> Plaintiffs' motion for reconsideration is DENIED. IT IS SO ORDERED.

Order (filed Mar. 29, 1989).

2. *The Ninth Circuit's Opinion*

After ABC's counterclaims were later dismissed, both Yamaha-America and ABC appealed to the Ninth Circuit. In July 1991, the Court of Appeals affirmed the granting of summary judgment against Yamaha-America. *See Yamaha Corp. of Am. v. ABC Int'l Traders, Inc.*, Nos. 90-55036, -55120, 1991 U.S. App. LEXIS 17882 (9th Cir. July 30, 1991) ("*Ninth Circuit Opinion*"). In an unpublished opinion, the court determined that, with respect to its Lanham Act claims, although Yamaha-America had belatedly attempted to distinguish *NEC Electronics* by suggesting that the products imported by ABC were physically different in material ways from those imported by Yamaha-America, this argument was untimely raised in

the motion for reconsideration and proffered only in the form of a lawyer's affidavit. Judge Lew "did not err in granting summary judgment against Yamaha on the trademark claims." *Id.* at *4.

With respect to Yamaha-America's Tariff Act claims, the Court of Appeals concluded that

> [t]he district court also correctly granted summary judgment in favor of ABC on Yamaha's claims under the Tariff Act, 19 U.S.C. § 526, which prohibits the importation of foreign made goods bearing a trademark owned by a United States corporation. . . . We affirm the district court's determination that the regulation leaves no room for Yamaha's Tariff Act claim.

Id.[5]

B. *Procedural History of this Case*

On May 17, 1989 (almost five months *after* Judge Lew's decision in *ABC*), Yamaha-America filed suit against the United States, the Secretary, and the Commissioner of Customs. In its two-count complaint, Yamaha-America alleged the following:

Count I — Yamaha-America is entitled to a declaratory judgment that Customs should issue an exclusion order prohibiting importation of genuine goods manufactured by Yamaha-Japan.

Count II — Yamaha-America is entitled to a declaratory judgment that Customs regulation 19 C.F.R. § 133.21(c)(2) is invalid for the following reasons:

(1) it exceeds the authority granted to the Secretary, for he has power to promulgate only those regulations consistent with law;

(2) it discriminates against Yamaha-America

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[5]The Court of Appeals reversed Judge Lew's dismissal of ABC's antitrust counterclaims and remanded for further development of the record.

by denying it rights under the Lanham Act and the Tariff Act to which other domestic corporations are entitled, merely on the basis of its Japanese ownership;

(3) it deprives Yamaha-America of its constitutional rights to due process and equal protection by denying it the protections of the Tariff Act and the Lanham Act;

(4) it directly conflicts with Article 2 of the Paris Convention for the Protection of Industrial Property which provides that all members will accord to other member owners of trademarks the same rights as enjoyed by domestic citizens;

(5) it directly conflicts with Article X of the 1953 Treaty of Friendship, Commerce and Navigation between the United States and Japan, which provides for "national treatment" of corporations owned by the other party.

See Complaint (filed May 17, 1989) at 8-11.

1. *Yamaha I*

Appellees moved to dismiss the complaint, arguing that the doctrine of issue preclusion prevented Yamaha-America from relitigating claims under the Tariff and Lanham Acts it had previously raised and lost in *ABC*. The district court agreed:

> The issues regarding the Lanham and Tariff Acts in the instant case are identical to those actually litigated and necessarily decided in *ABC International Traders*. Moreover, the issues here--whether the Lanham and Tariff Acts provide plaintiff a basis to block the goods manufactured by Yamaha Japan—were actually and necessarily determined in *ABC*.

Yamaha Corp. of Am. v. United States, 745 F. Supp. 730, 731-32 (D.D.C. 1990) ("*Yamaha I*").

Although the district court concluded that Yamaha-

America's arguments as to the validity of the Regulation under the Tariff and Lanham Acts must be dismissed, it concluded that the parties had not adequately briefed the matter of whether Yamaha-America was precluded from arguing that the gray-market goods in this case were "physically different" from the authorized goods and, therefore, fell into the exception recognized in *Lever Brothers Co. v. United States,* 877 F.2d 101 (D.C. Cir. 1989).[6] It therefore denied defendants' motion to dismiss as to the physical-differences argument.

Yamaha-America's claims under the Treaty of Friendship, Commerce and Navigation, Apr. 2, 1953, U.S.-Japan, 4 U.S.T. 2063 ("Treaty of Friendship"), and under the Paris Convention for the Protection of Industrial Property of March 20, 1883, *as revised* July 14, 1967, 21 U.S.T. 1583, 1629 ("Paris Convention"), were not addressed by the court in *ABC.*[7] Article X of the Treaty of Friendship provides that nationals and companies of either party shall be accorded "national treatment and most favored nation treatment with respect to obtaining and maintaining patents of invention and with respect to rights in trade marks ...." *Id.* art. X, 4 U.S.T. at 2071.[8] The dis-

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[6]In *Lever Brothers,* we concluded that "the natural, virtually inevitable reading of § 42 is that it bars foreign goods bearing a trademark identical to a valid US trademark *but physically different,* regardless of the trademarks' genuine character abroad or affiliation between the producing firms." *Lever Bros.,* 877 F.2d at 111 (emphasis added). To the extent that the physical differences of the gray-market good are not readily detectable, there is a risk that consumers will be confused into thinking that the gray-market good and the authorized good are identical.

[7]Yamaha-America did, in fact, raise the issue of its rights under both the Paris Convention and the Treaty of Friendship in its memorandum in support of its motion for reconsideration in *ABC.* However, appellees never argued to the district court below that these issues were also precluded, and they do not make that argument on appeal. *See* Transcript at 27. The district court ruled on the merits of Yamaha-America's treaty claims, and we review the decision on the merits as well.

[8]The Treaty of Friendship defines "companies" as follows: "Companies constituted under the applicable laws and regulations

trict court concluded, however, that Yamaha-America was neither a national nor a company of Japan and that it lacked standing, as an American company in the United States, to invoke the terms of Article X. *Yamaha I*, 745 F. Supp. at 733.

Article 2(1) of the Paris Convention extends to the nationals of all countries of the "Union"—of which both the United States and Japan are part—all the advantages pertaining to the protection of industrial property that each member of the Union extends to its own nationals.[9] Furthermore, Article 2(2) prohibits the establishment of domicile requirements.[10] The district court determined that, as in the case of the Treaty of Friendship, Yamaha-America was attempting to invoke a provision of a treaty intended to protect foreign nationals doing business in the United States. The district court dismissed Yamaha-America's claim under the Paris Convention for failure to state a claim upon which relief could be granted.

2. *Yamaha II*

Additional briefing was provided on whether Yamaha-America was precluded from raising its claim under section 42 that it was entitled to a *Lever Brothers* exception to the non-applicability of the Lanham Act to the importation of genuine goods. According to Yamaha-America, the gray-market products have the following physical differences: They lack the Underwriters Laboratory Approval

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within the territories of either Party shall be deemed companies thereof and shall have their juridical status recognized within the territories of the other Party." Treaty of Friendship, art. XXII(3), 4 U.S.T. at 2080.

[9]"Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals . . . ." Paris Convention, art. 2, 21 U.S.T. at 1631.

[10]"[N]o requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights." *Id.* art. 2(2).

and electromagnetic shielding required by the FCC; they have dual voltage switches and different plugs; they are not covered by the same warranties; and they do not include the same training and educational services as those provided by Yamaha-America. Yamaha-America argued that these physical differences between the gray-market and authorized products mean that Yamaha-America may avail itself of the protections provided by section 42 of the Lanham Act. *See Lever Bros.*, 877 F.2d at 111.

Appellees argued that Yamaha-America had made the identical argument to the *ABC* court and that Judge Lew had rejected it.The district court agreed: "The *ABC* court could not have denied Yamaha America's motion [for reconsideration] without rejecting the contention that it failed to consider Yamaha America's arguments concerning physical differences." *Yamaha Corp. of Am. v. United States*, 745 F. Supp. 734, 736 (D.D.C. 1990) ("*Yamaha II*"). According to the district court, "*ABC* resolved the legal question of whether physical differences in gray market products place them within the umbrella of the federal trademark laws, and that is the issue Yamaha America is estopped from rearguing." *Id.* at 737. The fact that the district court might have reached a different conclusion on the merits under the law of this Circuit is irrelevant, for the doctrine of issue preclusion prevents reaching the merits, even where a different view would prevail. *Id.* at 738. Concluding that Yamaha-America's efforts to relitigate the relevance of physical differences "represents nothing more than garden variety forum shopping," *id.*, the district court dismissed the complaint and entered judgment against appellant.

II. Discussion

A. *Standard of Review*

In *Yamaha I*, the district court dismissed the majority of Yamaha-America's claims under Rule 12(b)(6) of the Federal Rules of Civil Procedure, and our review of that

order is *de novo.* The same is true of the decision in *Yamaha II,* in which the district court disposed of the remaining claims under Rule 56. *Shields v. Eli Lilly & Co.,* 895 F.2d 1463, 1466 (D.C. Cir. 1990) ("Since pretrial summary judgment decisions are rendered exclusively on the basis of a 'paper' record, an appellate court is equally well-positioned as a trial judge to assess the evidence at issue.").

B. *Issue Preclusion*

The objective of the doctrine of issue preclusion (also known as collateral estoppel) is judicial finality; it fulfills "the purpose for which civil courts had been established, the conclusive resolution of disputes within their jurisdiction." *Kremer v. Chemical Constr. Corp.,* 456 U.S. 461, 467 n.6 (1982). The Supreme Court has defined issue preclusion to mean that "once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude relitigation of the issue in a suit on a different cause of action involving a party to the first case." *Allen v. McCurry,* 449 U.S. 90, 94 (1980).

The standards for establishing the preclusive effect of a prior holding are: First, the same issue now being raised must have been contested by the parties and submitted for judicial determination in the prior case. Second, the issue must have been actually and necessarily determined by a court of competent jurisdiction in that prior case. *See McLaughlin v. Bradlee,* 803 F.2d 1197, 1201 (D.C. Cir. 1986); RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982) ("[w]hen an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties").[11]

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[11]Although sections 27 (the rule itself) and 28 (exceptions to the rule) of the *Restatement (Second)* apply only where the second action is between the same persons who were parties to the first action, section 29 reads as follows:

> A party precluded from relitigating an issue with an opposing party, in accordance with §§ 27 and 28, is also precluded from

Third, preclusion in the second case must not work a basic unfairness to the party bound by the first determination. An example of such unfairness would be when the losing party clearly lacked any incentive to litigate the point in the first trial, but the stakes of the second trial are of a vastly greater magnitude. *See Otherson v. Department of Justice,* 711 F.2d 267, 273 (D.C. Cir. 1983); *see also Parklane Hosiery Co. v. Shore,* 439 U.S. 322, 330 (1979) (unfairness concern is heightened when plaintiff seeks to use collateral estoppel "offensively" against defendant when plaintiff was not party to prior suit); *Blonder-Tongue Labs., Inc. v. University of Ill. Found.,* 402 U.S. 313, 333 (fairness is implicated whenever there is risk that "prior proceedings were seriously defective").

In issue preclusion, it is the prior *judgment* that matters, not the court's opinion explicating the judgment. "Even in the absence of *any* opinion a judgment bars relitigation of an issue necessary to the judgment." *American Iron & Steel Inst. v. EPA,* 886 F.2d 390, 397 (D.C. Cir. 1989) (emphasis in original), *cert. denied,* 110 S. Ct. 3237 (1990). Furthermore, once an *issue* is raised and determined, it is the entire *issue* that is precluded, not just the particular arguments raised in support of it in the first case. *See Securities Indus. Ass'n v. Board of Governors,* 900 F.2d 360, 364 (D.C. Cir. 1990) (plaintiff may not raise new argument in second proceeding even though it was never made in first proceeding; so long as argument could have been made, it is precluded); RESTATEMENT (SECOND) OF JUDGMENTS § 27 cmt. c at 253 (if previously litigated "issue was one of law, new arguments may not be presented to obtain a different determination of that issue"). Preclusion cannot be avoided simply by offering evidence in the second proceeding that could have been admitted, but was not, in the first. CHARLES ALAN WRIGHT, ARTHUR

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doing so with another person unless the fact that he lacked full and fair opportunity to litigate the issue in the first action or other circumstances justify according him an opportunity to relitigate the issue.

RESTATEMENT (SECOND) OF JUDGMENTS § 29 (1982).

R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE: JURISDICTION § 4426 at 141 (1981).

1. *Section 526*

With respect to section 526 of the Tariff Act, Yamaha-America argues that the Regulation violates both due process and equal protection by denying it rights provided by the customs laws that are enjoyed by other domestic U.S. trademark holders. The district court concluded that Yamaha-America was precluded from litigating these issues. The court in *ABC* had held that Yamaha-America had no rights conferred upon it by section 526. The district court below reasoned that in light of this finding, "there can be no discrimination and no violation of equal protection or due process" involved in their denial. *Yamaha I,* 745 F. Supp. at 732 n.6.

Yamaha-America argues that the validity of the Regulation was not an issue in *ABC*; indeed, its validity could not have been raised in a private action against a gray-market importer. "In fact, the *ABC* district court based it[s] grant of summary judgment against Yamaha America's § 526 claims on the Regulation. The *ABC* district court thereby simply assumed, without deciding, the Regulation's validity and applicability in denying Yamaha America's claim under the Tariff Act." Brief of Appellant (filed Dec. 18, 1991) ("Yamaha-America's Brief") at 12. This is, unfortunately for Yamaha-America's sake, not an accurate account of Judge Lew's decision. Judge Lew based his conclusion that Yamaha-America has no enforceable rights under section 526 on two separate and independent grounds: One was the Regulation, reflecting Customs's interpretation of section 526 that was held to be reasonable by the Supreme Court; the other, however, was the text of section 526 itself. *See ABC,* 703 F. Supp. at 1403. *See generally* JAMES WM. MOORE, JO DESHA LUCAS, & THOMAS S. CURRIER, 1B MOORE'S FEDERAL PRACTICE ¶ 0.441[2] at 729 (1988) ("a judgment based alternatively upon two determinations, either of which alone would be sufficient to sustain it, is an effective adjudication as to both grounds, and is collaterally conclusive as to both").

The issue that was litigated and necessarily determined by the court in *ABC* was whether or not Yamaha-America had any rights under section 526, inside or outside of the Regulation, that are violated by the gray-market importation of genuine Yamaha goods. It is precisely this issue that Yamaha-America now seeks to relitigate in this case. The district court was correct in concluding that Yamaha-America was precluded from doing so.

Yamaha-America now argues, however, that even if Judge Lew based his ruling that Yamaha-America had no rights under section 526 on grounds other than the Regulation, the unpublished Ninth Circuit opinion affirming *ABC,* which was released over ten months after *Yamaha II,* relied exclusively on the Regulation. *See* Yamaha-America's Brief at 12-13. Yamaha-America relies on *Stebbins v. Keystone Insurance Co.,* 481 F.2d 501, 507 n.13 (D.C. Cir. 1973) (Leventhal, J.), and *Martin v. Henley,* 452 F.2d 295, 300 (9th Cir. 1971), for the proposition that when an appellate court affirms on only one of several grounds that served as alternative bases for the lower court decision, collateral estoppel attaches only to the issue expressly considered by the appellate court. *See also* MOORE, LUCAS & CURRIER, *supra,* ¶ 0.443[5.—2] at 790 n.2 ("Where a case is decided alternatively by a trial court on several issues, but is disposed of on appeal on only one of these issues, only the issue considered by the appellate court is concluded.") (citing both *Stebbins* and *Martin*). While it is clear that the district court below properly relied on the *ABC* judgment, *Southern Pac. Communications Co. v. American Tel. & Tel. Co.,* 740 F.2d 1011, 1018 (D.C. Cir. 1984) ("collateral estoppel may be applied to a trial court finding even while the judgment is pending on appeal"), in reviewing its orders, we must take into consideration the effect of the intervening *Ninth Circuit Opinion* on the matter of issue preclusion.

Yamaha-America argued on appeal to the Ninth Circuit that section 526 gave it certain rights to pursue remedies against a gray-market importer that were independent of Customs's Regulation. *See, e.g., Olympus Corp. v. United*

States, 792 F.2d 315, 320 (2d Cir. 1986) ("Customs' interpretation of the statute does not limit the reach of protection of section 526; it only limits Customs' obligations to enforce the section by excluding goods."), *cert. denied,* 486 U.S. 1042 (1988); *Vivitar Corp. v. United States,* 761 F.2d 1552, 1568-70 (Fed. Cir. 1985) (rejecting argument that section 526 must be interpreted as limited by Regulation), *cert. denied,* 474 U.S. 1055 (1986). The Ninth Circuit Court of Appeals concluded, however, that the district court "correctly granted summary judgment in favor of ABC on Yamaha's claims under the Tariff Act." *Ninth Circuit Opinion,* 1991 U.S. App. LEXIS 17882, at *4. In order to reach this conclusion, the Court of Appeals must necessarily, albeit implicitly, have rejected Yamaha-America's explicit argument that it had private rights under section 526 to exclude the gray-market goods that were greater than those encompassed by the Regulation.

The Court of Appeals did, of course, prominently mention that the Regulation, which was promulgated pursuant to section 526, states that the prohibitions against the importation of gray-market goods do not apply when the domestic trademark owner is a subsidiary of the foreign manufacturer. But notwithstanding Yamaha-America's arguments to the contrary, the appellate decision went further: The Court of Appeals explicitly affirmed the "district court's determination that the regulation leaves no room for Yamaha's Tariff Act claim." *Id.* In other words, Yamaha-America's claim that, despite the Regulation, it has independent rights under section 526 to exclude gray-market goods manufactured under Yamaha-Japan's trademark was actually and necessarily rejected by the Ninth Circuit.

Yamaha-America's allegations in this case that the Regulation is invalid because it violates the due process and equal protection rights of an American subsidiary of a foreign parent must be predicated on the assumption that Yamaha-America has some basic rights under section 526 that are being unfairly denied or discriminatorily withheld. But since the *ABC* courts have already determined

that Yamaha-America has no rights under section 526 to bar the importation of the gray-market goods in this case, it is precluded from challenging the validity of the Regulation on the grounds that it violates any such rights.[12]

2. *Section 42*

Yamaha-America raises the same claims under the Lanham Act that it raises under the Tariff Act: namely, that the Regulation unconstitutionally deprives it of certain rights under the statute. Judge Lew in *ABC* concluded that section 42 does not protect Yamaha-America from the importation of goods manufactured by Yamaha-Japan. *ABC,* 703 F. Supp. at 1404. Furthermore, Judge Lew resolved the additional question of whether physical differences in these gray-market products "place them within the umbrella of the federal trademark laws" when he denied Yamaha-America's motion for reconsideration. *Yamaha II,* 745 F. Supp. at 737.

In *Yamaha II,* the district court below concluded that Yamaha-America was precluded from pursuing its "physical differences" argument in the D.C. forum because the *ABC* court rejected this argument in denying the motion for reconsideration. *Id.* at 736. At the time of its ruling, however, our district court did not have the benefit of the *Ninth Circuit Opinion.* We, of course, must look to that ruling to ascertain the scope of issue preclusion.

The Ninth Circuit's opinion with respect to section 42 was straightforward: "Under *NEC,* there can be no successful trademark claim here, where the 'Yamaha' mark appearing on goods distributed by ABC was affixed by Yamaha-Japan, the manufacturer from whom ABC

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[12]We agree with appellant that this case is not entirely controlled by *K Mart Corp. v. Cartier, Inc.,* 486 U.S. 281 (1988). In *K Mart,* the issue was whether the Regulation was a reasonable agency interpretation of certain ambiguous phrases contained in section 526. Although the Court concluded that the Regulation was "valid," it did not address the scope of a U.S. trademark holder's rights under section 526, nor did it consider any constitutional challenges to the Regulation.

acquired the goods." *Ninth Circuit Opinion,* 1991 U.S. App. LEXIS 17882 at *2. With respect to the "physical-differences" argument, the Ninth Circuit stated only that Yamaha-America "failed to preserve this issue on appeal . . . by not timely raising it in response to ABC's summary judgment motion." *Id.* at *3.

The Ninth Circuit did not rule on the merits of the "physical-differences" argument. Therefore, Judge Lew's implicit rejection of that argument in denying the motion for reconsideration no longer precludes a second suit on the merits because although the Court of Appeals affirmed the *ABC* court, it did so solely on the grounds of procedural insuffiency. *See* MOORE, LUCAS & CURRIER, *supra,* ¶ 0.416[2] at 519 (trial court's dismissal of a complaint on both procedural grounds and on the merits will not preclude second suit on the merits if appellate court affirms only on the procedural ground). However, Yamaha-America may nonetheless be precluded from pursuing its Lanham Act claims if the evidence of "physical differences" could have been submitted in the *ABC* case but, for whatever reason, was never properly presented.

In *Jones v. United States,* 466 F.2d 131 (10th Cir. 1972), *cert. denied,* 409 U.S. 1125 (1973), the court considered whether a previous judgment that certain payments from an insurance agency to the taxpayers constituted "ordinary income" rather than "capital gains" would have preclusive effect on a second suit as to different tax years. The taxpayers sought to introduce evidence in the second trial that would "be submitted in admissible fashion . . . so as to present more clearly the issues to be determined and allow them to be more fully litigated, thus creating the distinct possibility of a different verdict." *Id.* at 136. The taxpayers argued that this "new" evidence would show that the payments received were actually deferred payments on the total purchase price of the insurance agency they had sold and were, therefore, taxable as long-term capital gains rather than as ordinary income. The court determined that the taxpayers were precluded from litigating their second suit, despite their intention to

introduce evidence that was not presented in the prior trial:

> Evidence of this type is not the result of a different factual situation or changed circumstances. It is, instead, historical in nature and could have been admitted at the first trial if properly submitted. If the taxpayers' case was not effectively presented at the first trial it was their fault; affording them a second opportunity in which to litigate the matter, with the benefit of hindsight, would contravene the very principles upon which collateral estoppel is based and should not be allowed.

Id.

The evidence of "physical differences" between the gray-market and authorized goods was, according to the Ninth Circuit, only raised in Yamaha-America's motion for reconsideration. "There was no need for the district court to consider Yamaha's proffered evidence at the time of the reconsideration motion, particularly given that Yamaha sought to introduce it in the form of a lawyer affidavit." *Ninth Circuit Opinion,* 1991 U.S. App. LEXIS 17882 at *3. Yamaha-America seeks to introduce the evidence of "physical differences" in this case to support its argument that section 42 of the Lanham Act protects it from the gray-market importation of these goods. But this evidence could have been submitted to the district court in *ABC.* The doctrine of issue preclusion prohibits the relitigation of an issue actually determined and necessary to the judgment.

> A new contention is not . . . necessarily a new issue. If a new legal theory or factual assertion put forward in the second action is related to the subject-matter and relevant to the issues that were litigated and adjudicated previously, so that it *could* have been raised, the judgment is conclusive on it despite the fact that it was not in fact expressly pleaded or otherwise urged.

MOORE, LUCAS & CURRIER, *supra,* ¶ 0.443[2] at 760-61 (internal quotations omitted) (emphasis in original).

In the *ABC* case, the issue of Yamaha-America's rights under section 42 was actually and necessarily determined. The Court of Appeals noted that, under Ninth Circuit precedent, "federal trademark law affords no protection for a wholly owned United States subsidiary of a foreign manufacturer against a rival company that imports and sells goods made by the foreign parent company." *Ninth Circuit Opinion,* 1991 U.S. App. LEXIS 17882 at *2. Yamaha-America failed properly to introduce evidence of "physical differences" in the *ABC* litigation, and it is precluded from relitigating the issue of its rights under section 42 based on this "new" evidence.

This is so despite the fact that this Circuit has arguably interpreted section 42 differently from the Ninth Circuit to permit its application to physically-different goods. *See Lever Bros.,* 877 F.2d at 111 ("On its face [section 42] appears to aim at deceit and consumer confusion; when identical trademarks have acquired different meanings in different countries, one who imports the foreign version to sell it under that trademark will (in the absence of some specially differentiating feature) cause the confusion Congress sought to avoid."). As the district court correctly recognized in *Yamaha II,* however, the fact that the substantive law may be different in the two jurisdictions does not affect the application of issue preclusion. "The doctrine of issue preclusion counsels us against reaching the merits in this case, ... regardless of whether we would reject or accept our sister circuit's position." *National Post Office Mail Handlers v. American Postal Workers Union,* 907 F.2d 190, 194 (D.C. Cir. 1990); *Yamaha II,* 745 F. Supp. at 737-38.

C. *International Treaties*

Yamaha-America's claims under Article X of the Treaty of Friendship and Article 2 of the Paris Convention are based on a common assumption: that in permitting the importation of gray-market goods, appellees are unlawfully discriminating against Yamaha-America because it is owned by a foreign corporation. Yamaha-America read-

ily concedes that it is *not,* itself, a foreign corporation and that it is not invoking either treaty as a foreign corporation. Yamaha-America's Brief at 19. Instead, Yamaha-America argues that the Regulation violates the treaties by treating it differently from other domestic companies. As the Supreme Court has stated, "national treatment" means that local subsidiaries of foreign corporations "are considered for the purposes of the Treaty [of Friendship] to be companies of the country in which they are incorporated; they are entitled to the rights, and subject to the responsibilities of other domestic corporations." *Sumitomo Shoji Am., Inc. v. Avagliano,* 457 U.S. 176, 188 (1982).

The crucial question for purposes of both the Treaty of Friendship and the Paris Convention is whether appellees have treated Yamaha-America differently under the Regulation solely because it is a wholly owned subsidiary of a foreign corporation. We think not. The Regulation would apply equally to the counterpart of Yamaha-America, *i.e.,* a domestic, wholly owned subsidiary of an American corporation which produces goods abroad both for sale and for import into the United States. The Supreme Court itself has recognized just such a variation on the typical gray-market situation:

> Two other variations on this theme occur when an American-based firm establishes abroad a manufacturing subsidiary corporation (case 2b) or its own unincorporated manufacturing division (case 2c) to produce its United States trademarked goods, and then imports them for domestic distribution. If the trademark holder or its foreign subsidiary sells the trademarked goods abroad, the parallel importation of the goods competes on the gray market with the holder's domestic sales.

K Mart Corp. v. Cartier, Inc., 486 U.S. 281, 286-87 (1988).[13]

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[13]The Supreme Court held that the Regulation as applied to the two variations described in the text was a permissible construction of the ambiguous "merchandise of foreign manufacture" language contained in section 526 of the Tariff Act. *K Mart Corp.,* 486 U.S. at 292.

The only relevant fact for the purposes of the Regulation is that the domestic trademark owner is subject to common ownership or control with the company which authorizes the distribution of the gray-market goods abroad.[14]

Yamaha-America has no cause of action under either the Treaty of Friendship or the Paris Convention to challenge the Regulation for discriminatory treatment. There is no violation of either treaty when Yamaha-America is treated like every other domestic trademark owner that shares common ownership or control with the owner of the foreign trademark.

D. *Remaining Issues*

Yamaha-America has raised two additional issues: First, that appellees have violated the Fifth Amendment by taking its property rights without just compensation; second, that the Secretary exceeded his authority by promulgating a Regulation that is not consistent with law in violation of 19 U.S.C. § 66.[15]

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[14]Yamaha-America's reliance on *Model Rectifier Corp. v. Takachiho International, Inc.*, 221 U.S.P.Q. (BNA) 502 (9th Cir. 1983), *aff'g* 220 U.S.P.Q. (BNA) 508 (C.D. Cal. 1982), is to no avail. Yamaha-America asserts that the facts of *Model Rectifier* "are foursquare with the facts here with a single exception: Model Rectifier's shareholders were U.S. citizens." Reply Brief of Appellants (filed Jan. 31, 1992) at 15. *Model Rectifier,* however, involved the "classic" gray-market situation: A domestic U.S. company enters into an arms-length agreement with a foreign trademark holder to be its exclusive United States distributor; third parties buy the product abroad, import it into the United States, and undersell the domestic company. The district court granted Model Rectifier's motion for a preliminary injunction enjoining the sale of the gray-market goods in the United States. The important distinction between Model Rectifier and Yamaha-America was not the nationality of its shareholders but the fact that it was an independent company that had bargained with the foreign trademark holder for exclusive rights to distribute the product in the United States.

[15]"The Secretary of the Treasury shall prescribe . . . rules and regulations not inconsistent with law . . . and shall give such directions to customs officers and prescribe such rules and forms to observed by them as may be necessary for the proper execution of the law." 19 U.S.C. § 66 (1988).

1. *The "Takings" Claim*

Yamaha-America argues that Customs's refusal to grant a genuine goods exclusion order, thereby permitting gray marketers to bring genuine "Yamaha" brand goods into the U.S. market, constitutes a "taking" without just compensation in violation of the Fifth Amendment. Yamaha-America's Brief at 13-14 & n.11. Appellees respond to this argument by asserting that "Yamaha America's cryptic 'taking' argument appears to assume that the trademark laws give it rights that *ABC* determined it did not have." Brief for Appellees (filed Jan. 15, 1992) at 23 n.12 (citation omitted). The property rights that presumably have been "taken" without just compensation are Yamaha-America's rights to be the sole distributor of "Yamaha" brand products in the United States. But if Yamaha-America is undersold by the gray market, it is because its own parent has chosen to sell the same goods abroad at a lower cost. It is true that the decision not to issue a genuine goods exclusion order has an impact on Yamaha-America's ability completely to control the market, but *ABC* determined that Yamaha-America has no right to such control. Yamaha-America is precluded from rearguing this same issue in the guise of a takings claim.[16]

2. *Consistency with Law*

Finally, Yamaha-America argues that the decision in *ABC* nowhere addressed the scope of the Secretary's power to promulgate the Regulation. Yamaha-America's Brief at 11-12. Yamaha-America argues in its reply brief that the focus of its "exceeding authority claim here is that the Regulation is inconsistent with the Friendship Treaty and the Paris Convention which have the force of a statute and are the law of the land." Reply Brief of

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[16]Although it is not necessary to reach the merits of appellant's takings claim, we note that Yamaha-America has failed to cite to us a single case in which a court has recognized a takings claim when the right allegedly being deprived by governmental regulation is, itself, a right provided by statute.

Appellant (filed Jan. 31, 1992) ("Reply Brief") at 7 (citation omitted). But the Regulation would exceed the Secretary's authority under the treaties only to the extent that it deprives foreign corporations of "national treatment" under United States customs and trademark laws; as we have seen, the Regulation does nothing of the kind.

To the extent that Yamaha-America's claim that the Secretary exceeded his authority in promulgating the Regulation depends on the conclusion that section 526 prohibits such an interpretation, *see* Brief of Appellant at 11-12, that issue has been definitively settled by *K Mart Corp.* Yamaha-America relies on a passing reference in *Osawa & Co. v. B & H Photo,* 589 F. Supp. 1163 (S.D.N.Y. 1984), to the effect that there exists a "substantial question" about whether Customs exceeded its authority under section 526 in promulgating the Regulation, *see* Reply Brief at 7 n.4.[17] However, not only was this dicta, but *Osawa* was decided four years before *K Mart Corp.* If the Supreme Court's opinion in *K Mart Corp.* stands for anything, it is that the Secretary's Regulation was a permissible construction of section 526.

III. Conclusion

For the reasons stated above, the judgment of the district court is affirmed.

It is so ordered.

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[17]The *Osawa* court noted that the "substantial question, which need not be decided here in view of Customs' grant of an exclusion order to plaintiff, is whether Customs exceeded its authority in promulgating the regulations in question." After quoting from section 526, the court concluded that "[i]t contains no suggestion that the right of the U.S. markholder to receive its benefits depends on subtle variations in its relationship with the foreign markholder." *Osawa,* 589 F. Supp. at 1177.

DOCKETED

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

YAMAHA CORPORATION OF AMERICA,

Plaintiff

v.

UNITED STATES OF AMERICA, *et al.*,

Defendants.

Civil Action No. 89-1431 (HHG)

FILED

JAN 11, 1990

CLERK, U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

MEMORANDUM AND ORDER

Before the Court is defendant's motion to dismiss this gray market goods case. The action seeks a declaratory judgment that Customs Regulation 133.21(c)(2) is invalid and that plaintiff is entitled to a genuine goods exclusion order from the Customs Service. For the reasons stated below, the Court grants the motion in part and denies it in part.

Background.

Yamaha Corporation of America ("Yamaha America") is a wholly owned subsidiary of Yamaha Corporation, a Japanese company ("Yamaha Japan"). Yamaha America is the exclusive authorized U.S. distributor of "Yamaha" brand music and sound equipment manufactured by Yamaha Japan. Yahama America owns, by assignment, the U.S. trademark registration to various products, and these registrations have been recorded with U.S. Customs.

Gray marketeers buy certain products manufactured by Yamaha Japan and import and sell these products in the United

States without consent from Yamaha America. Yamaha America asserts that these products were intended for sale overseas and differ in the following respects from virtually identical products sold under the same trademark in the United States: (1) the overseas products operate on different voltages than those intended for sale in this country and have multivoltage switches; (2) the overseas products are not approved by the Underwriters Laboratories; (3) the overseas products do not have certain electromagnetic shields required by the Federal Communictions Commission; and (4) the overseas products are not covered by the warranties issued by Yamaha America for authorized "Yamaha" products sold in the United States.

Yamaha America maintains that buyers of the gray market goods are deceived into believing that Yamaha America stands behind, warrants or guarantees these goods. It also claims that consumers may incorrectly conclude that the gray marketeers are authorized Yamaha America dealers, injuring the latter's goodwill and business reputation.

In January 1989, Customs informed Yamaha America that it was not entitled to have genuine trademarked products excluded from importation into this country inasmuch as to do so would be contrary to 19 C.F.R. §133.21(c) (2).[1]

Yahama America then initiated the instant action. In Count I, it seeks a declaratory judgment that it is entitled under the Lanham Act, 15 U.S.C. §1124, and the Tariff Act, 19 U.S.C. §1526, to a genuine goods exlusion order from Customs. Count II argues that 19 C.F.R. §133.21(c)(2), the provision pursuant to which Customs denied the order, is invalid.

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1. Regulation §133.21(c)(2) carves an exception to §133.21(b)(1988), which provides for of foreign-made articles bearing a trademark identical with one owned and recorded by a U.S. corporation. Section 133.21(c)(2) states that §133.21(b) does not apply where "[t]he foreign and domestic trademark or trade name owners are parent and subsidiary companies...." The exception is based on the belief that goods are genuine when they bear trademarks valid in their country of origin and when the foreign manufacturer is an affiliate. *Lever Bros. Co. v. U.S.*, 877 F.2d 101, 104 (D.C. Cir. 1989).

Discussion

Defendant asserts that Yamaha America is estopped from claiming protection under the Lanham and Tariff Acts from importation by third parties of genuine Yamaha goods because it previously raised and lost this issue in *Yamaha Corp. of America v. ABC Int'l Traders, Inc.*, 703 F. Supp. 1398 (C.D.Cal. 1988).

In *ABC*, Yahama sought to stop the importation of genuine Yamaha goods by gray marketers. It argued, among other things, that importation violated the Lanham and Tariff Acts. After a detailed and thorough discussion of the issues, the court granted summary judgment against Yamaha America on both claims, and it denied Yamaha's request for certification for interlocutory appeal.[2]

Collateral estoppel, or issue preclusion, is based on the principle that once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude relitigation of the issue in a suit on a different cause of action involving a party to the first case. *McLaughlin v. Bradless*, 803 F.d 1197, 1201 (D.C. Cir. 1986) (quoting *Allen v. McCurry*, 449 U.S. 90, 94 (1980). In other words, collateral estoppel requires that (1) the same issue was litigated, that is, contested by the parties and submitted for determination by the court, and (2) the issue must have been actually and necessarily determined by a court of competent jurisdiction.[3] *McLaughlin*, 803 F.2d at 1201.

The issues regarding the Lanham and Tariff Acts in the instant case are identical to those actually litigated and necessarily decided in *ABC International Traders*. Moreover, the issues here –

2. ABC International Trader's counterclaims are still pending.

3. Plaintiff cites *Texas Oil & Gas Corp. v. Hodel*, 654 F. Supp. 319, 325 (D.D.C. 1987) for a more restrictive test of whether collateral estoppel is appropriate. To the extent that plaintiff appears to suggest this is the test employed in this Circuit, the citation is misleading. The test cited by plaintiff is, in fact, taken from a decision by the Court of Appeals for the Eighth Circuit. The Court in *Texas Oil* made it clear that it was merely quoting from the Eighth Circuit decision and not adopting it. *Id.* at 325.

whether the Lanham and Tariff Acts provide plaintiff a basis to block the goods manufactured by Yamaha Japan – were actually and necessary determined in *ABC*.

Plaintiff's arguments to the contrary are meritless. Plaintiff asserts that *ABC* involved one of many importers of Yamaha products, while the instant action is against the Customs Service. Although the identity of the defendant may be significant in a res judicata context, it is not here. I Plaintiff also argues that the instant action does not raise trademark infringement claims, while *ABC* did. However, it is of no consequence that plaintiff may have raised issues in *ABC* that it does not raise here.[4]

Plaintiff also argues that *ABC* cannot have collateral estoppel effect because it was interlocutory and, therefore, unappealable.[5] On the contrary, summary judgment is a final judgment for purposes of collateral estoppel. *Jackson v. Hayakawa*, 605 F.2d. 1121, 1125 n.3 (9th Cir. 1979). Even if plaintiff were to appeal the *ABC* decision, it nevertheless would have collateral estoppel effect during the pendancy of the appeal. *Southern Pacific Communications Co. v. American Telephone & Telgraph Co.*, 740 F.2d 1011, 1018 (D.C. Cir. 1984); *Hunt v. Liberty Lobby. Inc.* 707 F.2d 1493, 1497 (D.C. Cir.1983).

Plaintiff's final argument that this action raises some issues not decided in *ABC*, has more merit. *ABC*, for example, did not address plaintiff's argument here that Customs' regulation on genuine goods exclusion orders conflict with the Paris and Friendship treaties. Accordingly, collateral estoppel bars only the relitigation of plaintiff's argument based on the Tarrif and Lanham Acts.

Count II of the complaint seeks a declaratory judgment that Customs Regulation §133.21(c) is invalid because:

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4. Plaintiff describes defendant's argument on this subject as "frivolous" and "meritless." Elsewhere, plaintiff expresses "amaze[ment]" at what it characterizes as "patently ridiculous" arguments put forth by defendant. Such hyperbole is unwarranted and unhelpful.

5. Plaintiff cites no legal support or authority for this position.

(1) it exceeds the authority of the Secretary of Treasury to promulgage regulations consistent with the laws;

(2) it discriminates against Yamaha America by denying it the rights under Tariff and Lanham Acts;

(3) it violates due process and equal protection by denying it protection of the Tariff and Lanham Acts;

(4) violates the Paris Convention for the Protection of Industrial Property, 2 U.S.T. 2140, T.I.A.S. 7727 (1973); and

(5) violates the Treaty of Friendship, Commerce and Navigation, 4 U.S.T. 2063, T.U.A.S. 2863 (1953).

Arguments one, two and three amount to no more than an effort by plaintiff to recast and resurrect its argument in *ABC*.[6] The effort is meritless, particularly in light of *K Mart Corp. v. Cartier, Inc.*, 108 S.Ct. 1811 (1988), which held that Customs Regulation §133.21(c) was a reasonable interpretation of §526 of the Tariff Act, and *Lever Bros. Co. v. United States of America*, 877 F.2d 101 (D.C. Cir. 1989), [7] which implicitly concluded that the regulation was a reasonable interpretation of the Lanham Act except where the products at issue were materially different. *See also Weil Ceramics and Glass, Inc. v. Dash*, Nos. 867-5187 and 86-5207, slip. op at 30 (3d Cir. May 30, 1989) (Lanham Act does not apply to goods that do not copy or simulate genuine article); *Olympus Corp. v. United States*, 792 F.2d 315, 321 (2d Cir. 1986) (same).

Accordingly, plaintiff's arguments as to the validity of regulation 133.21(c) under the Lanham and Tariff Acts must be dis-

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6. If plaintiff has no rights under the Lanham and Tariff Acts, as *ABC* expressly held, there can be no discrimination and no violation of equal protection or due process.

7. Plaintiff asserts that *Lever Bros.* "explicitly held" that §133.21(c)(2) was inconsistent with §42 of the Lanham Act. This misrepresents that decision. *Lever Bros.* indicated no more than that §133.21(c) (2) may be inconsistent with the Act when applied to materially different products.

missed, except on the issue of whether the products in the instant case fall within the "materially different" exception of *Lever Bros.*, and, if so, whether the plaintiff is estopped from raising that issue by the decision in *ABC*. Neither party has sufficiently briefed these issues for the Court to render judgment.

The complaint next asserts that the regulation violate the Article X of the Treaty of Friendship, Commerce and Novigation, (the FCN Treaty). This argument is equally without merit. Article X of this Treaty between the United States and Japan provides:

> National and companies of either Party shall be accorded, within the territories of the other Party, national treatment and most-favored-nation treatment with respect to obtaining and maintaining patents of invention and with respect to rights in trade arms, trade names, trade labels and industrial property of every kind.

Plaintiff is not covered by this provision, which expressly applies to "national and companies of either party ... within the territories of the other Party...." Since plaintiff is a company organized within the United States, it is not a "national or company of" Japan and is not covered by the treaty. See *Sumitomo Shoji America, Inc. v. Avagliano*, 457 U.S. 176 (1982); *see also* Plaintiff's Mem. at 15 (asserting that plaintiff is a domestic company). Plaintiff, therefore, lacks standing to invoke its terms of the treaty because, by its language, the treaty does not protect American companies in the United States.[8]

The complaint's final claim is based on the Paris Convention for the Protection of Industrial Property (the Paris Treaty).[9] Defendants assert – and plaintiff does not challenge – that

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8. Plaintiff's argument to the contrary is grounded on the notion that it has rights under the Lanham and Tariff Acts. That issue has already been disposed of, and the Court will not revisit it again.

9. It must be noted that the plaintiff's opposition to the motion to dismiss does not directly address defendant's basic argument that the treaty does not protect American companies in the United States; rather, plaintiff directs

plaintiff's claim arises under Article 2, clause 1 of the Treaty, which provides, in part:

> Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the countries of the Union the advantages that their respective laws now grant, or may hereafter grant to nationals; all without prejudice to the rights specifically provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy agains any infringement of their rights, provided the conditions and formalities imposed upon nationals are complied with.

Plaintiff, as discussed above, is a domestic company and, therefore, is not a "national" of "other countries in the Union." It, therefore, does not have a cause of action under the treaty. Plaintiff's argues that "it makes little sense to allow Yamaha Japan to avail itself of the trademark laws and yet deny such protection to Yamaha America, its wholly owned domestic subsidiary...." The argument is meritless.

Conclusion

Because plaintiff has failed to demonstrate that in most respects it has colorable claims, the motion dismiss must be granted, except on the issue of whether the products in the instant case fall within the "materially different"[5] exception of *Lever Bros.*, and, if so, whether the plaintiff is estopped from raising that issue by the decision in *ABC*.

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the Court to read its summary judgment brief "for a more detailed discussion" for the issues. This is unhelpful, particularly since the summary judgment brief also does not appear to address the issue raised by defendant.

Accordingly, it is this 11th day of January, 1990

ORDERED that defendant's motion to dismiss be and it is hereby granted except with respect to the issue of whether the products in the instant case fall within the exception discusse in *Lever Bros.*, and, if so, whether plaintiff is estopped from raising that issue here by virtue of *ABC*.

/ s /

HAROLD H. GREENE
United States District Judge

DOCKETED

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

YAMAHA CORPORATION OF AMERICA,

Plaintiff

v.

THE UNITED STATES OF AMERICA, *et al.*,

Defendants.

Civil Action No. 89-1431 (HHG)

FILED

SEP 14, 1990

CLERK, U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

MEMORANDUM AND ORDER

Before the Court is defendants' renewed motion to dismiss or in the alternative for summary judgment. The defendants assert that plaintiff is collaterally estopped from raising the one remaining issue in this case because plaintiff raised and lost that issue in other litigation. For the reasons stated below, the motion is granted.

I

Yamaha Corporation of America (Yamaha America) is a wholly owned subsidiary of Yamaha Corporation, a Japanese company (Yamaha Japan). Certain importers, known as gray marketeers, buy electronic products manufactured abroad by Yamaha Japan and sell them in this country without consent from Yamaha America. This action seeks to force the United States Customs Service to issue an order prohibiting the importation of these products.

In its Memorandum and Order of January 11, 1990, this Court dismissed the majority of plaintiff's claims, but left one issue unresolved because neither party had explicitly briefed it. That

issue is whether the products in question fall within the "materially different" exception of *Lever Bros Co. v. United States*, 877 F.2d 101 (D.C. Cir. 1989) ("*Lever Bros.*) and, if so, whether the plaintiff is estopped from raising that issue by the decision in *Yamaha Corp. of America v. ABC Int'l Traders Corp.*, 703 F. Supp. 1398 (C.D. Cal. 1988) (*ABC*). It is to the collateral estoppel issue that the Court now turns because it is potentially dispositive.

On December 28, 1987, Yamaha-America filed an amended complaint against ABC International Traders Corp., an importer and distributer of electronic instruments and sound equipment manufactured by Yamaha Japan. *See ABC*, 703 F. Supp. at 1400. Yamaha-America alleged, *inter alia*, that the importation of goods bearing the Yamaha trademark without its approval violated the Tariff Act of 1930, §526, 19 U.S.C. §1526 and the Lanham Act §42, 15 U.S.C. §1124. *Id.* ABC moved for partial summary judgment on the Lanham and Tariff Act claims.

The Court granted the motion, concluding that the goods sold by ABC were genuine since they had been manufactured by Yamaha Japan.[1] 703 F. Supp. at 1400. Since the products were genuine, the trademark was valid, and its use, therefore, did not violate either the Lanham Act. *Id.* at 1404. The Court further concluded "Yamaha had not met its burden of establishing that a genuine issue of fact exists as to the consumer confusion as to the source or sponsorship .... Yamaha-America has submitted no evidence that the sales of Yamaha products by ABC creates confusion in the minds of consumers as to the source of sponsorship of the products sold by ABC." Yamaha America then moved the court to amend its partial summary judgment to include a final judgment as to fewer than all the claims at issue in the suit. The

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1. The Court concluded that

> There is no triable issue of fact as to either the genuiness of the goods sold by ABC or the possibility of consumer confusion. First Yamaha alleged in its complaint that ABC was selling goods *made by Yamaha Japan*. This constitutes a judicial admission by Yamaha-America that the products sold by ABC are genuine Yamahas.

Id. at 1401 (emphasis in original) (parenthical note omitted).

court denied the motion, and Yamaha moved for reconsideration of that denial.[2]

Just as Yamaha does here, the motion for reconsideration asserts that physical differences between its products and those manufactured by Yamaha Japan and sold in this country by gray marketeers entitled it to relief under federal trademark laws.[3] The physical differences alleged in *ABC* are virtually identical to those alleged in the instant action. Yamaha America, through the same counsel as in this case, specifically pointed to the dual voltage switch, the absence of Underwriters Laboratory Approval, the absence of electromagnetic shielding and the difference in plugs. *See* Mememorandum of Points and Authorities in Support of Motion to Reconsider Order of February 7, 1989 at 15-16. (*ABC* Mem.) The company pointed to the existence of warranty, training and education services in connection with the products it sells. *Id.* at 17. Moreover, it argued that

> While the [gray market] products Defendants sell may be made by Yamaha Japan, this alone does not establish that the products are "genuine." In facts, such products cannot be "genuine" because they are physically different from the products sold [by Yamaha America] and do not valid bear [Yamaha America's] trademark.

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2. The instant defendants have placed in the record of this case Yamaha America's memorandum of support of motion for reconsideration in *ABC*. ABC's opposition to that motion and Yamaha America's reply, as well as a portion of Yamaha America's appeal brief to the Court of Appeals for the Ninth Circuit. Yamaha America has filed in the record of this case the *ABC* court's order denying the motion for reconsideration.

3. Indeed, Yamaha America asserted that it had argued "[t]hroughout this litigation" that the Yamaha products imported and sold by ABC, while genuine in the sense that they were made by Yamaha Japan, are not the same as those sold by Yamaha America. Memorandum of Points and Authorities in Support of Motion to Reconsider [*ABC*] Order of February 7, 1989 at 12-13. The lack of sameness is said to result from physical differences between the products sold by ABC and those sold by Yamaha America. *Id.* at 13.

Id. at 18. It further contended that these differences "had a great deal of trademark significance," Reply Memorandum in Support of Motion to Reconsider Order of February 7, 1989 at 5 (*ABC* Reply), and that because the products are "physically different from those sold by [Yamaha America, the products] are not genuine even if they are manufactured by the same manufacture." *ABC* Reply Brief at 3. *See also ABC* Mem. at 18 ("such products cannot be 'genuine' because they are physically different from the products sold by Plaintiffs"). ABC responded that "the present motion [for reconsideration] repeats the genuineness argument for the ninth time ... not counting the numerous times these same facts have been presented in oral argument before the court. Memorandum in Opposition to Motion for Reconsideration at 5. *See also id.* at 4-5 (listing each of the filings in which Yamaha America raised the genuineness argument).

The *ABC* court rejected Yamaha America's arguments and denied the motion after "having read and considered the papers in support of and in opposition to the motion." Order of March 29, 1989. Yamaha America filed the instant action less than two months later, on May 17, 1989.[4]

II

Collateral estoppel prevents the relitigation of issues where (1) the same issues were litigated, that is, contested by the parties and submitted for determination by the court, and (2) the issues were actually and necessarily determined by a court of competent jurisdiction. *McLaughlin v. Bradlee*, 803 F.2d 1197, 1201 (D.C. Cir. 1986). *See also Synanon Church v. United States*, 820, F.2d 421, 424 (D.C. Cir. 1987); *Otherson v. Dep't of Justice*, 711 F.2d 267, 273 (D.C.Cir. 1983).

The pleadings in *ABC* demonstrate that Yamaha America advanced the "physical difference" argument in *ABC*; that issue

4. Yamaha also has an action pending in the District Court for the Southern District of New York against a so-called gray market importer. *Yamaha Corp. of America v. Central Ventures, et al.*, 86 Civ. 9495 (JFK).

was disputed; and that the Court resolved it against Yamaha America. In both *ABC* and this case, Yamaha America argued that the trademark laws entitled it to exclude Yamaha products manufactured by Yamaha Japan and imported without its consent. In both cases, it asserted that this conclusion is warranted because the gray market goods are physically different from those it sells. And in both cases, it relied on virtually the same physical differences.

The *ABC* Court stated that it had read and considered all of Yamaha America's arguments and rejected them as a basis for relief. Given the emphasis that Yamaha America placed on the physical differences claim,[5] it cannot reasonably be argued that the *ABC* court overlooked the issue, and, indeed, Yamaha America asserts that it did not. In its appeal of the *ABC* decision, Yamaha America argued that

> [t]he District Court's failure to recognize the significance of product differences mandates the reversal of the summary judgment orders and remand for a new trial.

App. Brief. at 25. *See also id.* at 24 ("Yamaha strenuously disputes the Court's assumption that all 'Yamaha' goods manufactured by [Yamaha Japan] are the same throughout the world."); *id.* ("District Court *necessarily* ... erroneous[ly] assum[ed] ...that goods bearing marks identical to the "Yamaha" marks are the same throughout the world") (emphasis added); *id.* at 25 ("the record shows that the "Yamaha" goods sold by ABC are physically different from those sold by Yamaha. Such physical differences present material issues of fact that preclude a summary determination at this point.")

In its *ABC* motion for reconsideration, Yamaha America also alleged that the court had "failed to consider certain facts presented to it" and recited the physical differences between its products and the gray market goods. Yamaha America then proceeded to argue that the presence of such facts entitled it to

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5. The argument filled seven pages in the motion for reconsideration and four pages in the reply brief.

relief under the trademark laws, and it asked the court to reverse prior ruling on these grounds. The *ABC* court could not have denied Yamaha America's motion without rejecting the contention that it failed to consider Yamaha America's arguments concering physical differences.

Yahama America maintains that another explanation of the *ABC* decision is possible. It suggests, without explanation, that the *ABC* court might have concluded that Yamaha America failed to introduce sufficient evidence as to the physical differences to create a genuine issue of fact or law. Even if that assertion were true, the result would be the same. "Once a plaintiff has had a chance to prove a fact, he cannot reopen the matter by stating that he wishes to introduce more or better evidence. *"Pigons S.A. de Mecanique v. Polaroid Corp.*, 701 F.2d 1, 2 (1st Cir. 1983). *See also McLaughlin v. Bradlee*, 803 F.2d 1197, 1204 (D.C. Cir. 1986). As the Court of Appeals for the Tenth Circuit explained

> If [a party's] case was not effectively presented at the first trial it was their fault; affording them a second opportunity in which to litigate the matter with the benefit of hindsight, would contravene the very principles upon which collateral estoppel is based and should not be allowed.

Jones v. United States, 466 F.2d 131, 136 (10th Cir. 1972). This applies with double strength where – as here – the plaintiff had ample opportunity to cure any defects in its case in its motion for reconsideration.[6] That motion, in fact, also raised the physical

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6. Likewise, Yamaha's claim that the *ABC* court never considered the physical differences claim is refuted by the court's decision, which stated, in part, that "Yamaha had not met its burden of establishing that a genuine issue of fact exists as to the consumer confusion as to the source or sponsorship .... Yamaha-America has submitted no evidence that the sales of Yamaha products by ABC creates confusion in the minds of consumers as to the source of sponsorship of the products sold by ABC." *ABC*, 703 F. Supp. at 1404. For the same reason, there is no merit to Yamaha's assertion that the *ABC* court did not consider the physical differences argument in relation to the Lanham Act. The above-quoted material appears in a section of the decision entitled "The Lanham Act Violations" which explains why Yamaha's Lanham Act claims must be dismissed. *Id.* at 1404.

differences claim by way of argument and through affidavits attesting to the existence of these differences. *See* Reply at 3-5 (discussing physical differences attested to in declarations filed under seal).

Yamaha America implies that even if it is estopped from raising the material differences exception on its Lanham Act claim, it is not estopped from raising that argument in connection with the Tariff Act. The claim misses the point. Collateral estoppel bars Yamaha from raising the "material differences" argument in connection with either the Tariff or Lanham Acts, since it is essentially the same as applied to both statutes. Furthermore, in *ABC*, Yamaha pressed both the Tariff and Lanham Act claims, and the court rejected both. Thus, Yamaha America's "material differences" argument here in connection with the Tariff Act does "little more than embellish [its] previous arguments." *McLaughlin*, 803 F.2d at 1204. *See also Pigons S.A. de Mecanique*, 701 F.2d at 2; *Jones*, 466 F.2d at 136.

Yamaha America also suggests that collateral estoppel should not be applied in this case because it involves any Yamaha product imported by a third party without Yamaha America's consent while the *ABC* case involved only ABC's goods. This argument, too, is not well taken. *ABC* resolved the legal question of whether physical differences in gray market products place them within the umbrella of the federal trademark laws, and that is the issue Yamaha America is estopped from rearguing. Thus, it is of no significance that *ABC* applied to one gray marketeer while this action applies to all gray marketeers. *See McLaughlin* 803 F.2d at 1204-05 ("little good and much harm can come from allowing a determined plaintiff to retry the same issues in exhausting fashion against successive defendants"). Furthermore, Yamaha America fails to argue that the distinction changes the evidence it would tender to this Court. Indeed, the record in this case establishes only ABC as an importer of goods they market.[7]

Yamaha America next asserts the *ABC* court "made up its

7. *See* Dep. of Kenneth Findlay at 20; Dep. of Arthur Rosen at 23.

mind" and gave its arguments "short shrift" without "carefully consider Yamaha American's Motion." There is no support for these assertions, and the *ABC* court's decision states that it read the filings and considered them carefully, and of course, neither the brevity nor the speed of a decision constitutes a basis for avoiding collateral estoppel.

Yamaha America also complains that it would be unfair to preclude it from taking advantage ofthe Court of Appeals' tentative holding in *Lever Bros.* It argues that it should be entitled to take advantage of a split in the circuits if it loses in the first jurisdiction in which makes its arguments. The argument smacks of the very forum shopping that collateral estoppel was designed to preclude. *National Treasury Employees Union v. IRS*, 765 F.2d 1174, 1177 (D.C. Cir. 1985.) Yamaha America also suggests that if this Court estops it from making its arguments in this case, it effectively would be following a precedent that is contrary to the law of this Circuit. The Court of Appeals recently rejected the same argument, noting that collateral estoppel prevents a court from ever reaching the merits:

> At bottom [appellant's] assertion that the Ninth Circuit's decision rests upon a precedent that this circuit has not adopted is just another way of saying that the Ninth Circuit's decision is wrong. The doctrine of issue preclusion counsel us against reaching the merits in this case, however, regardless of whether we would reject or accept our sister circuit's position.

National Post Office Mail Handlers, Watchmen, Messengers, and Group Leaders Division of the Laborers' International Union of North American, AFL-CIO v. *American Postal Workers Union*, ____ F.2d ____ (D.C. Cir. July 3, 1990), slip op. at 8.

Yamaha America next suggests that since this Court earlier could have, but did not dismiss other claims in this case on collateral estoppel grounds, it cannot do so now. That claim is based on the fact that this Court's Memorandum and Order of January 11, 1990 reached the merits, instead of resolving them on collateral estoppel grounds. The motion for reconsideration in *ABC*, however, was not part of the record of this case as of

January 11, 1990. The Court obviously could not dispose of an issue based on something of which it was unaware and which was not part of the record. In any event, it clearly is not the law that if the Court fails to dispose of one issue on collateral estoppel grounds, it is prevented from doing so with other issues.

Yamaha America next maintains that because of genuine factual disputes, summary judgment is inappropriate. In the first place, its Statement of Issues in Dispute does not meet the requirements of Local Rule 108(h) inasmuch as it cites only to voluminous exhibits as opposed to specific citations to the record. Second, the issues are legal; they focus on the meaning of the *ABC* decision. Interpretation of decisions is obviously a question of law.

Finally, Yamaha America places heavy reliance on *American Medical Int'l Inc. v. Secretary of HEW*, 677 F.2d 118 (D.C. Cir. 1981). In the first place, the Court of Appeals for this Circuit has interpreted *American Medical* as applying only to offensive collateral estoppel. *Securities Industries Assoc. v. Board of Governors*, 900 F.2d 360, 364 n. 7 (D.C. Cir. 1990). The instant case involved defensive collateral estoppel. Second, the concerns underlying *American Medical* are inapplicable here. *American Medical* focused on judicial concerns about permitting the first court to decide an issue of national significance to bind all courts and thus cut off further debate. In this case, the dispositive issue has been resolved by the Court of Appeals for this Circuit, *see Lever Bros.*, and, there is thus no possibility that the *ABC* decision could prevent it from ever deciding this issue.

In short, Yamaha America's effort to relitigate this issue in this Court represents nothing more than garden variety forum shopping. *Securities Industry Assoc.*, 900 F.2d at 364. Society's interest in "conserv[ing] judicial resources ... and foster[ing] reliance of judicial action by minimizing the possibility of inconsistent decisions" bars Yamaha from pressing those claims in a new forum. *Montana* v. *United States*, 440 U.S. 147, 153-54 (1979).

Accordingly, it is this 13th day of September 1990

ORDERED That defendants' motion to dismiss or in the alternative for summary judgment be and it is hereby granted, and it is further

ORDERED That the complaint be and it is hereby dismissed.

/ s /

HAROLD H. GREENE
United States District Judge

DOCKETED

United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 90-5318

September Term, 1991

CV 89-01431

Yamaha Corporation of America,
Appellant

v.

United States of America, et al.

United States Court of Appeals
For the District of Columbia Circuit

FILED JUL 16 1992

CONSTANCE L. DUPRÉ
CLERK

BEFORE: Mikva, Chief Judge; Wald, Edwards, Ruth B. Ginsburg, Silberman, Buckley, Williams, D.H. Ginsburg, Sentelle, Henderson, and Randolph, Circuit Judges

ORDER

Appellant's Suggestion For Rehearing *En Banc* and the response thereto have been circulated to the full Court. No member of the Court requested the taking of a vote thereon. Upon consideration of the foregoing it is

ORDERED, by the Court *en banc*, that the suggestion is denied.

Per Curiam
FOR THE COURT:
CONSTANCE L. DUPRE, CLERK

BY: /s/
Robert A. Bonner
Deputy Clerk

DOCKETED

United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 90-5318

September Term, 1991

CV 89-01431

Yamaha Corporation of America,
Appellant

v.

United States of America, et al.

United States Court of Appeals
For the District of Columbia Circuit

FILED JUL 16 1992

CONSTANCE L. DUPRÉ
CLERK

BEFORE: Wald, Sentelle and Henderson, Circuit Judges

ORDER

Upon consideration of appellant's petition for rehearing and the response thereto, it is

ORDERED, by the Court, that the petition is denied.

Per Curiam
FOR THE COURT:
CONSTANCE L. DUPRE, CLERK

BY: / s /
Robert A. Bonner
Deputy Clerk